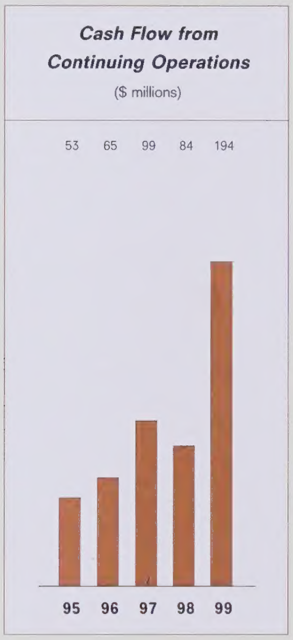
reinvent

The Molson Companies Limited 1999 Annual Report / 213th Year

Financial Summary	1999	1998
Operating Results *($ millions)*		
Sales and other revenues	**2,120.1**	1,071.8
Earnings before interest, income taxes and amortization	**209.6**	108.2
Earnings from continuing operations before rationalization and other costs	**68.0**	44.9
Earnings from continuing operations	**28.0**	39.1
Net earnings	**169.9**	111.1
Cash flow from continuing operations	**193.7**	84.1
Per Share *($)*		
Earnings from continuing operations before rationalization and other costs	**1.15**	0.77
Earnings from continuing operations	**0.47**	0.67
Net earnings	**2.88**	1.89
Dividends paid	**0.72**	0.72
Cash flow from continuing operations	**3.28**	1.43
Financial Position *($ millions)*		
Total assets	**3,439.6**	2,284.3
Long-term debt	**1,271.5**	561.1
Shareholders' equity	**1,108.1**	978.5



Highlights

Ownership interest in Molson Breweries increased to 100%

Interest in Coors Canada partnership, which manages Coors brands in Canada, increased to 49.9%

Interest in The Home Depot Canada sold for cash consideration of $375 million ($360 million after tax) and participation in Retail sector discontinued, resulting in a net gain of $134 million

Management and administration restructuring commenced, to reduce costs and increase productivity

New executive management team in place

Profile

The Molson Companies Limited owns 100% of Molson Breweries, Canada's leading brewer. It also has a 49.9% interest in the Coors Canada partnership and 24.95% in Molson USA, which markets and distributes the Molson and Foster's brands in the United States. The Molson Companies also owns and operates the Molson Centre and the Montreal Canadiens hockey club.

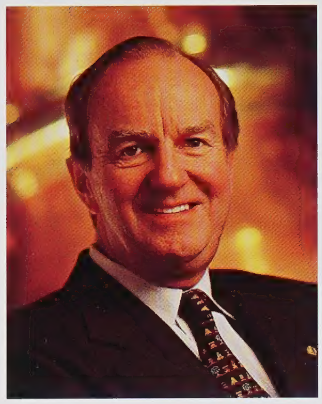
Canada's pre-eminent brewer, Molson Breweries was founded in 1786. With 3,850 employees and seven breweries throughout the country, Molson is one of Canada's oldest consumer brand names and is North America's oldest beer brand.

The winner of 24 Stanley Cup championships, more than any other National Hockey League team, the Montreal Canadiens is one of the most successful professional sports teams of all time. The Molson Centre, the home of the Montreal Canadiens, is a state-of-the-art sports and entertainment facility.

We have reconfigured our asset base and returned to our historical core business. We are operating brewers again. We are poised to realize our full earnings potential by forging a strategy that asserts shareholder value as a core value of our business.

We are reinventing Molson.

Chairman's Message



Eric H. Molson
Chairman of the Board of Directors

On June 23, 1998, ending 30 years of diversification, we raised a glass to an historic transaction that returned Molson to its brewing roots. On that date, we acquired the interest of Foster's Brewing Group, our former partner in Molson Breweries, giving us full ownership of North America's oldest brewing business. As we said at the time with a great deal of pride, Molson is once again 100% Molson and 100% Canadian.

For more than two centuries, the name Molson has been synonymous with fine quality beer. That remains as true today as it was in 1786, when the business was a sole proprietorship, known simply as John Molson, Brewer. The company name has changed a number of times since then, reflecting each time the changing times or some change in the status of the business. We have been John Molson and Sons, John H.R. Molson & Bros., Molson's Brewery, Molson Breweries and The Molson Companies Limited. What is common to each of the changes is, of course, the Molson name.

Molson stands for change; Molson also represents stability and tradition. We are one of Canada's oldest consumer brand names, and yet we very much remain active participants in the evolution of Canadian society. While we might be found in their history books, we are also very much part of the lives of Canadians everywhere, in their kitchens, at their sporting events, at music festivals and contributing to improvements in their communities.

At our Annual Meeting on June 29, 1999, we are asking shareholders to vote to change the name of the company to Molson Inc. Our current name, The Molson Companies Limited, is no longer appropriate, as it reflects our former strategy of diversification.

Our new name – Molson – inherently reflects what adult Canadians know instinctively, and take to be one of the simple truths of Canadian life: Molson is *What Beer's All About!* Our new name makes it easier to take the Molson brands to other countries where the Molson name is already recognized as standing for quality brewing.

We are confident that shareholders will agree with us that the proposed change to Molson Inc. will simplify our efforts to market Molson brands and build the corporate reputation throughout Canada and the world. The Molson name projects our true vocation as brewers, our ability to stay current and relevant for our consumers, and the stability and tradition that comes with being one of Canada's oldest brand names. We look forward to making it official.

Governance

The announcement in June 1998 followed more than three years of divestment of non-brewing assets. During that period, the composition of our Board changed considerably. With a reduced membership of 11 directors, the Board of Directors has been highly

focused on overseeing the complete reconfiguration of the assets of the Corporation, and the return to our brewing roots.

The workload has been heavy. Individually and collectively, our directors have demonstrated a high degree of commitment to the Corporation and to fulfilling their governance responsibilities. In the past year alone, we have met 11 times as a full Board, and there have been more than 30 meetings of our various Board committees.

One of the major tasks of the Board during fiscal 1999 was to perform a comprehensive review and redefinition of the roles, authority and responsibilities of the Board, its Chairman, Board committees, the Chief Executive Officer and senior management, in relation to the strategic direction of the Corporation. As a result, Board and management roles have been defined in relation to financial management, performance management, human resource management and external relations, to clearly denote areas within the scope of management decision-making and those within the scope of Board governance.

There are currently five committees of the Board, including the Executive Committee, Audit and Finance Committee, Environment, Health and Safety Committee, Human Resources and Corporate Governance Committee, and Pension Committee. Each of these committees has met several times during the past 12 months to discuss a number of issues of critical importance in managing the transition of the Corporation to its new operating status. Readers are invited to review the Management Proxy Circular for a detailed discussion of the activities of each committee during fiscal 1999.

Election of New Directors

The challenges facing Molson have changed in nature, but have not diminished in scope. Setting the strategic direction of the Corporation while ensuring that Molson is achieving its full earnings and value potential is a process that continues to impose a considerable workload on the Board and its individual directors. We are thus proposing to add three new directors, increasing the size of the Board to 14 members.

Mr. H. Sanford Riley has been President and Chief Executive Officer of Investors Group Inc. since 1992, and he is Chairman and President of Investors Group Financial Services Ltd. Investors Group is one of Canada's leading personal financial services organizations and is the largest distributor of mutual funds in the country. A resident of Winnipeg, Mr. Riley will bring to the Board an important perspective not only on financial markets, but on consumer marketing as well.

Molson's two new officers and members of the Senior Management Committee are standing for election to the Board. Patrick G. Crowley possesses a wealth of experience in the beverage industry, in both Canada and the United States. Prior to joining Molson, his most recent position was as Executive Vice President and Chief Financial Officer of Abitibi-Consolidated in Montreal. Earlier in his career, Mr. Crowley held various financial positions with another brewer, and he was the Chief Financial Officer of Everfresh Beverages, in Franklin Park, Illinois.

Before joining Molson, Daniel J. O'Neill, was an Executive Vice President and Board member with H. J. Heinz Company of Pittsburgh. Prior to that position, he was with the Campbell Soup Company as President of Campbell USA and Canada. Mr. O'Neill, who has held positions throughout the Americas and in Europe, possesses an intimate knowledge of the consumer packaged goods industry in North America and internationally.

During a period when the Board and management will be intensely focused on providing strong strategic direction to Molson, both Mr. Crowley and Mr. O'Neill, as related directors, will add broad strategic and operating input to the Board's deliberations.

Following the annual meeting, the Board will be appointing R. Ian Molson to the position of Deputy Chairman of the Board, reflecting his involvement and experience with Molson.

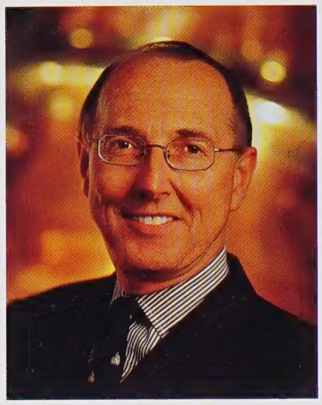
I would personally like to thank each of our directors for their dedication and commitment to the work of the Board of Directors during this past year. Each director has made a considerable contribution to the work of the Board, and each director has demonstrated a commitment to our common vision of returning Molson to its brewing roots. I look forward to working with the Board for another year as we continue to reinvent Molson, to ensure that we remain relevant to our consumers and that we create value for our shareholders.

Sincerely,

EHMolson

Eric H. Molson
Chairman of the Board

To Our Shareholders



E. James Arnett
President and Chief Executive Officer

Molson is Entering a New Era. We have reconfigured our asset base and returned to our historical core business. We are operating brewers again. We have assembled a first-class management team with experience in markets in Canada, the United States and abroad. We are poised to realize our full earnings potential by forging a strategy that asserts shareholder value as a core value of our business. We are reinventing Molson.

Fiscal 1999 — Financial Results

Cash flow from continuing operations increased to $193.7 million, or $3.28 per share, compared with $84.1 million, or $1.43 per share, the previous year. Net earnings from continuing operations for fiscal 1999 totalled $28.0 million, or $0.47 per share, compared with $39.1 million, or $0.67 per share, in fiscal 1998. Net earnings were $169.9 million, or $2.88 per share, compared with $111.1 million, or $1.89 per share, last year.

Earnings before interest, taxes and amortization, or EBITDA, is increasingly the most accurate measure of Molson's performance relative to its peer group. For the foreseeable future, the amortization of intangibles, arising from the acquisition of the remaining 50% interest in Molson Breweries during the year will depress our earnings from continuing operations. However, cash flow has increased dramatically as a result of the acquisition. On a price-to-EBITDA basis, we believe that our shares are substantially undervalued, compared to other brewers around the world and other consumer products companies in Canada.

In order to assist readers of this report to make meaningful year-over-year comparisons of financial results, we have included unaudited pro forma comparative information in the Management's Discussion and Analysis section of this report, calculated as though we had owned 100% of Molson Breweries for the past two fiscal years. This complements our standard method of reporting. On that basis, our pro forma EBITDA before rationalization and other non-recurring costs would have been $287.9 million, compared with last year's $289.0 million.

Corporate Activity

Fiscal 1999 was a highly eventful and historic year for the Corporation. The most significant event of fiscal 1999 was the acquisition of the 50% interest in Molson Breweries that we did not own. On June 23, 1998, after many months of negotiations, we acquired Foster's Brewing Group's interest in Molson Breweries for $1 billion, restoring Molson Breweries to 100% Molson and 100% Canadian

ownership. As part of the transaction, we acquired Foster's interest in the Coors Canada partnership, raising our interest in that business to 49.9%.

The transaction was strategically significant for two reasons. First, it enabled us to protect our existing investment in Molson Breweries by restoring our position as the sole owner, able to make meaningful decisions about the future of the business that has always been the single largest source of profit for our shareholders.

Second, the transaction gave us control over a strategic asset for which we have a strong affinity and belief – the Molson name and brands. Molson is one of Canada's oldest consumer brand names and North America's oldest beer brand, and we are convinced that there is substantial untapped value in that brand equity. In acquiring full control over the Molson name, we have fulfilled a fundamental prerequisite to future growth.

Fiscal 1999 was eventful in other ways. We sold our 25% interest in The Home Depot Canada for $375.0 million, well in excess of most estimates of its value. We also discontinued Beaver Lumber, an asset that we expect to sell during fiscal 2000. Total net gains on our retailing investments over the course of the past six years were $241 million. These transactions effectively concluded our three-year divestiture strategy, during which we raised just over $1.6 billion in total proceeds.

Managing the Transition

Acquiring control of Molson Breweries set in motion a strategic review of the human resource and administrative requirements of the new organization. In October 1998, we announced an important restructuring that included the closing of the executive offices in Scotia Plaza of The Molson Companies Limited and the integration of staff with that of the Molson Breweries North American Brewing office in Toronto. The integration of the two offices and management teams, which is expected to lead to annual pre-tax savings of approximately $6 million, was to be completed by the end of May 1999.

As part of the administrative restructuring and integration, a small nucleus of executive and strategic personnel are now located in Montreal. The offices of the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer have moved to Molson's historic head office at the site of North America's oldest brewery, on Notre Dame Street. Responsibility for planning and developing Molson's activities outside of North America is also located in the Montreal office.

The transition to the new Molson also provided an opportunity to complete a thorough assessment of the senior management of both organizations. The evaluation, which was meant to provide a macro view of the strengths and weaknesses of the management team as a whole, provided us with important information about Molson management standards and practices. This database has been particularly useful to the new management team.

In addition to managing the integration of the Corporation's management team, two important appointments preoccupied us in the latter half of the fiscal year. In December 1998, we announced the appointment of Patrick G. Crowley as Executive Vice President and Chief Financial Officer, replacing Stuart L. Hartley, who retired after 20 years of service with the Corporation. In February 1999, we announced the appointment of Daniel J. O'Neill as Executive Vice President and Chief Operating Officer, North American Brewing. We welcome these highly accomplished executives to the Corporation and we look forward to their contribution to a revitalized Molson.

Reinventing Molson — Reaching Our Full Potential

Strategically positioning the Corporation to build long-term shareholder value through brewing has been our primary goal for the past four years. A world of new possibilities is now open to us. Molson is now a single company with a new executive management team and an integrated management structure.

Having accomplished these important changes, we are now forging a comprehensive strategy to bridge the gap between our actual operating and financial performance, on the one hand, and our full earnings and value potential, on the other. The Board and management recognize that such a gap exists and bridging that gap is our urgent corporate priority.

Our success in achieving our full potential will be driven by four key long-term initiatives:

***First,* we intend to align the values and economic interests of Molson employees more closely with those of our shareholders.**

We are cultivating a management culture that is highly responsive to the need to create shareholder value on a sustained basis, which means annually creating value in excess of Molson's cost of capital. The management team at Molson will be measured and compensated in the future according to this model of economic profit, so that management compensation will be more closely linked to improvement in shareholder value. Executive compensation will be tied to success in meeting predetermined financial and operating targets. We are shifting the emphasis to short- and long-term financial incentives and away from compensation programs based primarily on fixed pay. Most of these measures are being implemented during fiscal 2000 and we should see the first results of our efforts in fiscal 2001.

By aligning employee and shareholder values more closely, we will be creating a cultural change at Molson that will resonate throughout all of our activities at the brewery in years to come.

***Second,* we are going to operate more strategically.**

The Molson name and brand portfolio are our most important assets, and our most potent weapons in the competitive brewing industry. Market share growth is an important objective, but is difficult to sustain without the proper mix of brands at the right price for our consumers and the right level of profit margin for our shareholders.

***Third,* we are reducing Molson's cost base and improving productivity.**

In addition to the substantial progress made in fiscal 1999, we are now actively implementing other programs aimed at creating additional value by permanently reducing the cost of doing business. Finding ways to remove unnecessary costs will become an ongoing objective for everyone at Molson.

We have completed the work of benchmarking general and administrative costs. We are measuring how Molson performs a wide variety of processes throughout the Corporation, and we are comparing our performance to recognized leaders for those processes throughout North America. We are instituting a "best practices" program throughout the Corporation to enable us to bridge gaps in performance, where those gaps exist.

Marketing and sales spending has risen considerably during the past four fiscal years as competition has intensified. We are reviewing our spending in these critical areas and we are looking at ways to spend more effectively across the entire range of marketing and sales expenditures.

Excess brewing capacity is being studied carefully. Alternatives are being compared, including increasing production for exports, pursuing contract brewing opportunities or reconfiguring our capacity altogether.

***Fourth,* we will look for ways to grow, both within Canada and abroad.**

Outside of Canada, we are taking initiatives to improve the performance of Molson brands in the United States, and we are developing an international strategy for Molson.

Although Molson USA contributed to earnings during this past fiscal year, the performance of the Molson brands was below expectations. We have already increased our presence on the Molson USA sales team and we are reviewing a range of possible initiatives that would contribute to improved brand performance. Outside of North America, we will pursue low-risk, low-investment opportunities to build the Molson brand.

renew

We are now actively embarking on shaping a future of growth and profitability for North America's oldest brewer.

Left to right:
Daniel J. O'Neill, *Executive Vice President and Chief Operating Officer, North American Brewing*
E. James Arnett, *President and Chief Executive Officer*
Patrick G. Crowley, *Executive Vice President and Chief Financial Officer*

Sports and Entertainment

We are striving to improve the returns from our Sports and Entertainment businesses. During fiscal 1999, we completed a portion of the review of our Sports and Entertainment assets. As a matter of priority, we are giving careful consideration to the relationship between these assets and our core brewing business, and we are looking for ways to improve the value of these assets to our shareholders.

The business of professional sport is going through a difficult period, but we are committed to ensuring that the Montreal Canadiens hockey club and the Molson Centre add value for shareholders. Now that we own 100% of Molson Breweries, we are taking initiatives to better leverage the relationship between our Brewing business and the Molson Centre and the Montreal Canadiens. We will keep shareholders informed of any significant initiatives toward achieving those ends.

Other

For the first time in many years, we are introducing to this report a section on the brewing industry in Canada. Our goal is to sensitize readers to the wide variety of non-operating factors that shape the way Molson does business in Canada. We are constantly exploring ways to increase sales, while remaining productive and competitive in the marketplace, within the context of fragmented government regulation and high taxation. In the future, as in the past, Molson intends to respond proactively to the social, competitive and environmental issues and challenges that face the brewing industry, working to find solutions that make sense for our shareholders, consumers, employees and suppliers.

As the course of the Corporation has changed during these past few years, so has our structure and, indeed, our identity. As the Chairman described in his letter, shareholders are being asked to approve a change of name, from The Molson Companies Limited, to Molson Inc. We are proud to be known simply as "Molson", because Molson is *What Beer's All About!*

Sincerely,

E. James Arnett
President and Chief Executive Officer

MOLSON


MOLSON
CANADIAN
NO PRESERVATIVES
Bière
refresh
Molson is great Canadian beer. In fact, Molson is "What Beer's All About!"
MOLSON
EXPORT
MOLSON
DRY

Brewing

100% Molson / 100% Canadian!

...modation, 1809:
...by John Molson, carried 20 passengers
...uebec City in 66 hours.

Financial Summary *($ millions)*	**1999**(i)	1998(ii)
Sales and other revenues	**1,959.0**	936.1
Excise and sales taxes	**536.0**	259.8
	1,423.0	676.3
Earnings before interest, income taxes, amortization, rationalization and other costs	**271.5**	135.6
Operating profit before interest and income taxes	**139.9**	102.4

(i) The current year's results reflect the Corporation's 50% proportionate share in Molson Breweries and 24.95% interest in Coors Canada until June 23, 1998 and the consolidation of 100% of Molson Breweries and proportionate consolidation of 49.9% of Coors Canada thereafter, and 24.95% equity interest in Molson USA

(ii) The prior year's results reflect the Corporation's 40% proportionate share in Molson Breweries until November 30, 1997, and 50% thereafter, the Corporation's 24.95% equity interest in Molson USA after November 30, 1997 and the proportionate consolidation of 24.95% of Coors Canada from January 1, 1998.

It has been an historic year for Molson. On June 23, 1998, we announced that we had returned full-time to the brewing business by acquiring Foster's Brewing Group's (FBG) 50% interest in Molson Breweries. That transaction takes us to 100% ownership and control of the business that has been not only the root of our corporate identity but also the single most important source of profit for our shareholders throughout the history of our company. Molson Breweries is once again 100% Molson and 100% Canadian. As part of the transaction, Molson also acquired FBG's 24.95% interest in the Coors Canada partnership, raising to 49.9% our interest in that business.

Financial Results

It was a good year for beer in Canada, and a good year for Molson. During a year in which industry sales experienced a healthy increase, Molson consolidated its market share position across the country.

Sales and other revenues from Molson's brewing operations increased to $1,959.0 million in fiscal 1999 from last year's $936.1 million, reflecting our increased interest in Molson Breweries and Coors Canada. On a pro forma basis, our sales net of excise and sales taxes increased by 4.3% as a result of consumer price increases and higher sales volumes in Canada.

Earnings before interest, income taxes, amortization, rationalization and other costs increased to $271.5 million in fiscal 1999, compared with $135.6 million in fiscal 1998. As stated previously, the increase primarily reflects our increased interests in both Molson Breweries and Coors Canada, as well as an increased profit contribution from Molson USA. Profit from operations was reduced by a one-time pre-tax charge of $58.0 million related to plans to improve brewery and distribution systems in the Quebec and Western regions.

On a pro forma basis, had we owned 100% of Molson Breweries for the past two full fiscal years and had we owned 49.9% of Coors Canada since it began operations on January 1, 1998, Molson would have recorded an increase in earnings before interest, income taxes and amortization from brewing operations, excluding rationalization and other non-recurring costs, of 2.1%.

Coors Canada

The Coors Canada partnership, which is 49.9% owned by Molson, is responsible for the management of the Coors brands in Canada. Molson Breweries brews, distributes and sells Coors brands in Canada. Coors Canada commenced operations on January 1, 1998 and from that date to June 23, 1998 was 24.95% owned by Molson, at which point we acquired an additional 24.95% interest.

Sales volume of Coors' brands and Coors Canada's EBITDA during fiscal 1999 were both ahead of expectations. Estimated average market share in Canada was 5.5%, compared with 5.2% in fiscal 1998.

Productivity Initiatives and Capital Projects

Substantial progress was made in fiscal 1999 in reducing our cost base and improving productivity. A number of initiatives were launched, including a review of compensation and incentive programs for senior management, a benchmarking and "best practices" program, and a thorough review of marketing and sales spending throughout Molson. We are also studying closely the issue of excess capacity at some breweries across the country.

During fiscal 1999, Molson Breweries in Quebec completed a $17 million capital investment program for the modernization of its bottling lines at the Notre Dame Street brewery in Montreal. The investment resulted in a 16% improvement in bottling labour productivity at the Montreal brewery.

During the fourth quarter of fiscal 1999, Molson Breweries, in partnership with our unions in Quebec, announced an agreement on plans to improve brewery and distribution system productivity and customer service in that province. The agreement, which involves approximately 350 employees at the Montreal brewery and in the distribution function throughout the province of Quebec, will result in annual pre-tax cost savings of between $9 million and $13 million.

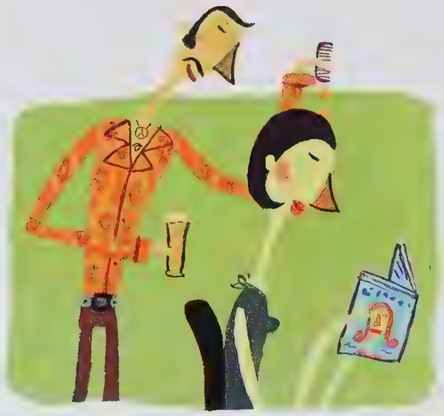
A pre-tax charge of $56.0 million to cover the cost of this initiative was taken in the fourth quarter.

In the Western region, in anticipation of an expected tripling in the production of *Asahi Super Dry* beer for export to the United States, Asahi Breweries of Japan will invest $6.5 million in Molson's Vancouver brewery. Asahi chose to partner with Molson in recognition of our high standards of quality in brewing production. In Regina, the $10 million expansion to the brewery was completed in May 1998, with dramatically enhanced production capabilities. A provision of $2.0 million related to plans to optimize distribution in the Western region was also established during the fourth quarter of fiscal 1999.

The Molson Centre for Innovation (MCI) undertook a thorough evaluation of support programs and development projects in fiscal 1999, with the objective of spending less, more effectively, in fiscal 2000. MCI is also revisiting Molson's relationships with major suppliers with the objective, through co-operative action, of lowering materials costs in our regional businesses.

Market Share and Brand Performance

Molson increased its market share on a year-over-year basis, ending the long-term erosion of market share. Molson's estimated market share of all beer sold in Canada in fiscal 1999, including imported beer, was 45.3%, compared with 45.2% for fiscal 1998. In fiscal 1999, Molson maintained its market share successfully in every region



Beer is for Beauty:
Up to and during the early sixties, when bouffant hair styles were most popular, hairdressers all across Canada used more than $100,000 worth of beer a month as a wave setter and shaper.

of the country where we do business. The performance of our national brands showed marked improvement, especially against the national brands of our major competitor, and against the rapidly growing import segment of the market.

A warm spring and summer in many parts of the country during fiscal 1999 contributed to a 2.1% increase in industry sales volume to approximately 20.4 million hectolitres. The import segment increased by 3.8%. Molson volumes increased to 9.2 million hectolitres during fiscal 1999.

Market share increased in Quebec, Ontario and Newfoundland, and was stable in western Canada. Nationally, *MOLSON CANADIAN* is Canada's leading beer brand, while *MOLSON DRY* remains the leading brand in Quebec, where it has increased its share. *MOLSON EXPORT* was given enhanced support in some parts of the country and introduced in other areas as a new brand.

In Quebec, Molson successfully increased its market share for the first time in 10 years, due to successful marketing and sales initiatives for our core brands, *MOLSON DRY* and *MOLSON EXPORT*, as well as the success of Molson's super-premium brands, including *HEINEKEN*, *CORONA* and *RICKARD'S RED*. *TORNADE*, a malt-based lemonade, also did well after its introduction during the Christmas period in late 1998.

Ontario remains Molson's largest market. With a 51.4% market share, Molson brands continue to dominate consumers' tastes. *MOLSON CANADIAN* is the leading brand in Ontario. *COORS LIGHT*, which is brewed and distributed by Molson is the leading light brand. The *CARLING* trademark is the below-premium category leader in Ontario. The Ontario market is highly competitive and price discounting has been a significant factor in each of the past two fiscal years, especially during the peak selling seasons. Small brewers are also making some inroads with the consumer in Canada's largest beer market. Despite these competitive pressures, Molson's market share increased marginally in Ontario during fiscal 1999.

In Newfoundland, Molson continues to gain market share, building steadily over the past five years. At the end of fiscal 1999, market share rose to 52.6%. *MOLSON CANADIAN* is the leading national brand in the province, with close to 20% of the market. Appealing to traditional drinkers, *BLACK HORSE* is the most successful local brand in Newfoundland, with just under 9% of the market.

In the Western region, Molson stabilized its market share in fiscal 1999 and held a share of 41.4%. *MOLSON CANADIAN* gained market share for the fifth consecutive year.

Molson Breweries' Average Market Share	1999	1998
Including sales of imports:		
Canada	**45.3**	45.2
Quebec	**48.9**	48.7
Ontario	**51.4**	51.3
West	**41.4**	41.4

Sources: Brewers Association of Canada, provincial liquor authorities, industry distribution companies

Molson is North America's oldest beer brand and very much part of the lives of Canadians.

Molson in the Marketplace

Molson operates seven breweries across Canada (not including the 2,500-hectolitre brewery at the Air Canada Centre in Toronto). Divided into three regions, Quebec, Ontario/Atlantic and the West, Molson enjoys a high degree of flexibility in executing its national marketing strategies. Regional marketing and sales programs, created within the context of co-ordinated national brand strategies, bring Molson closer to the consumer in each region of the country.

Marketing and Sales

Marketing and sales spending has risen considerably during the past four fiscal years as competition has intensified. We are reviewing our spending in these critical areas, and to that end, Molson is looking at ways to spend less, while spending more effectively, across the entire range of marketing and sales expenditures.

Molson operates in highly competitive markets, and our marketing and sales initiatives need to be highly effective. Reaching beer consumers is a constant challenge that Molson addresses through its national, regional and local marketing and sales efforts.

Throughout Canada, from our largest cities to our smallest towns, beer drinkers are big sports and music fans. In fiscal 1999, the Molson name was associated with highly visible sports and music events, bringing us significant exposure both nationally and at the grass-roots level, in communities throughout the country.

Molson and Hockey

We have solidified our position as the leading hockey sponsor in Canada, at the professional, amateur and local levels. During fiscal 1999, Molson increased the marketing effectiveness of our support for professional hockey by successfully signing individual television broadcasting and community sponsorship agreements with all six National Hockey League (NHL) teams in Canada. The agreements provide for a strong, ongoing presence and increased visibility for Molson in each NHL city's local broadcast area. For a detailed overview of Molson's involvement in hockey, see page 16 of this report.

Molson and Music

In calendar 1998, close to three million Canadians attended Molson music events, an important vehicle for developing consumer loyalty to Molson products. Whether through our 50/50 partnership in Universal Concerts Canada, or through music events organized and promoted directly by Molson, we are a dominant force in introducing the musical talent that Canadians want to hear and see into communities across the country. See our special report on Molson and Music on page 20.

Molson and Motor Sports

Canadians continue to be big fans of motor sports. Molson is the promoter for the *Molson Indy* in both Toronto and Vancouver, and is a sponsor of the Air Canada Grand Prix in Montreal. Interest in these events continues to grow, with a total of 575,000 spectators attending the festivities in the three cities, including 144,000 on Indy race days alone. These events offer a high degree of national and local visibility, and an excellent opportunity to sell beer; however, many of the contracts and costs associated with these events are in U.S. dollars.

Molson's Responsibility to the Communities We Serve

Molson is keenly aware of our responsibility to consumers and to the communities in which we do business. We continued to promote responsible drinking habits through the *Take Care* program during fiscal 1999. Our *Local Heroes/EquipAction* community development program was one of the primary vehicles for extending our reach into Canadian communities and gained wide recognition for the benefits it brought to cities, towns and neighbourhoods throughout Canada. We encourage the reader to turn to page 32 for a more detailed look at how Molson regards our responsibility to the communities we serve.

(continued on page 18)

Beer is for Batter:
If you want to make fluffy pancakes, a little beer added to the batter will do the trick and improve the flavour.

The Molson name is associated with highly visible sports and music events.

Molson and Hockey

Molson and hockey — in the minds of Canadians, the two words are synonymous. For more than 40 years, the country's oldest brewer has brought the nation together through its commitment to Canada's favourite pastime in communities from coast to coast.

Research shows that beer drinkers are twice as interested in sports as non-beer drinkers. Our extensive involvement with hockey enables us to get closer to our consumers and to market a variety of brands to them in a relevant way, in a relaxed, enjoyable environment.

Molson began its broadcasting relationship with the National Hockey League (NHL) in 1958 as the title sponsor of Hockey Night in Canada. In recent years, Molson's commitment to hockey has evolved to become more focused on consumers and communities. This focus led to a decision in fiscal 1998 to end title sponsorship in English Canada of Hockey Night in Canada so that we could make an even greater investment in hockey throughout the country. This has enabled Molson to strengthen its commitment to hockey by sponsoring the broadcast of more Canadian games, introducing more consumer-focused promotions and offering increased support to amateur and recreational hockey. Now Molson is more involved in hockey at all levels across Canada than we have ever been.

As hockey's largest sponsor, Molson has a strong relationship with every Canadian NHL team. In fiscal 1998 and 1999, we established new long-term partnerships with our own Montreal Canadiens, and with the Ottawa Senators, Toronto Maple Leafs, Calgary Flames, Edmonton Oilers and Vancouver Canucks. During the 1998-99 season, Molstar, an operating unit of Molson, produced 228 NHL games, bringing nearly 800 hours of televised hockey to fans across the country.

reaction

Molson and hockey. In the minds of Canadians, the two words are synonymous.

Molson remains intensely committed to Canadian professional hockey, and Canadian NHL teams now benefit directly from our involvement, receiving more financial support than was possible through Molson's previous relationship with Hockey Night in Canada.

Molson has also strengthened its ties to Canada's favourite pastime in other ways. In fiscal 1999, Molson signed a new four-year alliance with the Canadian Hockey Association, including the Men's and Women's National teams, and the National Junior team. Molson was also an official sponsor of the World Junior Hockey Championships, which were held in Manitoba from December 28, 1998 to January 4, 1999.

We are also involved with thousands of community hockey leagues and teams across the country. We are proud of our involvement in hockey at the grassroots and developmental levels, and are committed to ensuring hockey continues to thrive in Canada. Our extensive association with hockey at the grassroots level reflects a desire to extend our reach more deeply into communities across Canada.

Molson has also intensified its relationship with the Canadian Hockey League (CHL), the body overseeing the Western Hockey League, the Ontario Hockey League and the Quebec Major Junior Hockey League, and with 47 CHL teams, by signing a new partnership agreement in fiscal 1999. The agreement includes a five-year alliance with the Ontario Hockey League and sponsorship of the Memorial Cup, an event that has come to symbolize supremacy in junior hockey. As part of the agreement, Molstar will televise 36 regular-season games and two Memorial Cup games.

Molson's relationship with the CHL enables us to support junior hockey in scores of communities across the country. From Chicoutimi to Calgary, Peterborough to Prince George, Medicine Hat to Moose Jaw, Molson is there with support for individual teams, sponsorship of Coach-of-the-Year awards, tickets and collectibles for fans, and community involvement.

During fiscal 1999, we decided to transfer our American Hockey League farm team from Fredericton to Quebec City, which is a significant market for several Molson brands. Molson will be the principal sponsor of the new team.

Molson enjoys an unparalleled network of relationships with hundreds of Canadian hockey teams and leagues – among them, every Canadian NHL team, our Men's and Women's National teams, minor professional leagues, all levels of junior hockey and countless university varsity teams and grassroots recreational leagues across the country. From gathering around the television for an NHL game, to cheering for the local home team, we take pride in bringing the best in hockey to millions of Canadian fans.

Reinforcing Molson's Relationship with the Consumer

The conscious effort to extend our marketing reach deep into local communities across Canada is one of the principal reasons for Molson's success in consolidating our market share during fiscal 1999.

Molson's three regional operations are responsible for implementing national marketing initiatives at the local level, and carrying out local marketing and sales initiatives based on the regional operations' specific relationship with their own consumers. Marketing and sales efforts in each region of the country address different consumer tastes and cultural values, as well as different retailing and distribution environments.

Each region found specific ways to link major and regional brands to regional sporting and music events.

In the Quebec region, *MOLSON DRY* and *MOLSON EXPORT* are the key brands. During 1998, *MOLSON DRY* sponsored 500 music events in both bars and major outdoor concert venues in communities throughout the province. In fiscal 1999, *MOLSON DRY* once again used the occasion provided by our sponsorship of the Air Canada Grand Prix in Montreal to bring the *Rockfest Molson Dry* to downtown Montreal, with more than 140,000 spectators joining in the festivities in June 1998.

MOLSON EXPORT is heavily identified as the brand of sports fans in Quebec. New marketing programs have been established to link the brand more closely with hockey at all levels in the province, from new special events and broadcasting features with the Montreal Canadiens, to sponsorship of major junior hockey throughout Quebec. Molson will also be the major sponsor of the Canadiens' new American Hockey League farm team, Les Citadelles, in Quebec City. During the year, one development had both commercial and symbolic significance: *MOLSON EXPORT* became the title sponsor of the Montreal Alouettes, who, starting next season, will play in the Percy Molson Stadium at McGill University in downtown Montreal.

Other marketing and community initiatives contributed to Molson's successful performance in Quebec during the year. Molson successfully launched *TORNADE*, a malt-based lemonade, to provide an additional choice for seasonal and occasional beer drinkers. We also began distributing *HEINEKEN* as part of our product portfolio in Quebec, and *CORONA* was added in April 1999. EquipAction, the Quebec version of *Local Heroes*, was a tremendous success in fiscal 1999 and will continue in fiscal 2000. Initiatives launched by EquipAction earned Molson a significant public profile and positive media coverage throughout the province.

In the Ontario/Atlantic region, Molson has developed specific, unique programs to differentiate brands and to segment specific markets. *MOLSON CANADIAN* enjoys its status as the brand of choice for mainstream consumers, putting the accent on fun and sociability. *MOLSON CANADIAN* is our leading brand in Ontario, followed by *COORS LIGHT*. While the people of this province tend to choose these core brands most often, Ontarians have embraced the entire Molson portfolio, balancing their palette with favourites such as *RICKARD'S RED*, *MOLSON DRY*, *MOLSON GOLDEN*, *CORONA* and *DAVE'S* brands, to name a few.

In Ontario, Molson was involved in a broad range of both high-profile and community-based marketing initiatives in fiscal 1999. A major sponsor of both the Toronto Maple Leafs and the Toronto Raptors, we were heavily involved in the festivities surrounding the

Eric Molson, Roxanne Diakowsky, Brewer at the Air Canada Centre, and Nicole Derrick, Brewmaster at the Molson Centre for Innovation, at the opening of the Molson Brewery at the Air Canada Centre

closing of Maple Leaf Gardens and the opening of the Air Canada Centre. Molson opened its own brewery at the Air Canada Centre, giving us the opportunity to showcase and sell our quality products to hundreds of thousands of consumers per year.

During the autumn of 1998, in recognition of Molson's high profile in the city, the Mayor of Toronto asked Molson to launch a new brand of beer specifically brewed for the City of Toronto. Developed in co-operation with the Molson Centre for Innovation, *Toronto's Own* was well received by beer aficionados and is being used by Toronto tourism authorities to help promote the city. The Ontario region also launched malt-based *Arctic Lemonade* during the fiscal year.

In Newfoundland, Molson uses sports sponsorships to extend its reach to local communities throughout the province. We are involved with just about every sport in the province – from hockey, baseball and basketball to golf, darts and bowling. Molson is also the major sponsor of the American Hockey League's St. John's Maple Leafs.

In Ontario and Newfoundland, we made it a goal to "put a face to Molson in every community" by giving our employees the responsibility and the means to market Molson products directly. Combined with *Local Heroes*, the employee participation initiative had considerable impact in raising Molson's profile and sales in communities throughout the two provinces, in ways that are difficult to match using the traditional television and print advertising approach.

In the Western region, market share was stable for the second year in a row. Molson's brand portfolio in the Western region continues to evolve, growing stronger with the continued success of *Molson Canadian* and *Coors Light*, as well as more regional brands like *Pilsner* in Saskatchewan, British Columbia and Alberta, and *Extra Old Stock* in British Columbia. Marketing support for *Molson Dry* was reintroduced late in the fiscal year, and after a 20-year absence, *Molson Export* was reintroduced in British Columbia. Molson also began distributing and selling *Heineken* in the Western region in January 1998.

Sports is a key marketing vehicle for Molson in the Western region. We have signed sponsorship/partnership agreements with the Vancouver Canucks, Calgary Flames and Edmonton Oilers of the National Hockey League, and we participate actively in promoting professional hockey in those cities. Molson was particularly active in helping to keep the Oilers in Edmonton last year, earning consumer loyalty by donating $1.00 from the sale of every 12-pack of *Molson Canadian* for a limited period. The promotion raised $276,000 for the "Edmonton Oilers Forever" fund. In addition to our involvement in hockey, we have sponsorship agreements with the Vancouver Grizzlies of the National Basketball Association, the Greater Vancouver Open and, of course, the *Molson Indy* in Vancouver. In Winnipeg, we sponsored the Canadian Football League's Grey Cup game, as well as the World Junior Hockey Championships.

There were a number of initiatives in western Canada intended to create stronger links with beer drinkers in the region. The employee participation program, extensive grassroots selling activities and the more than 200 *Local Heroes* projects completed are examples of the type of localized initiatives that continually increase Molson's presence in communities across western Canada.

(continued on page 22)

Molson and Music

Wherever there's fun and good times, Molson is centre-stage with energetic, break-through events to reach music lovers across Canada. Our involvement with music in Canada extends far beyond sponsorship – it is a business in itself. We make music events possible. We help develop Canadian talent by providing a forum in which to show-case it. We provide venues across the country for a variety of music and entertainment events, and we have also built venues like the Molson Centre in Montreal. Through our partnership with Universal Concerts Canada, we are the leading concert producer in the country.

Molson's consumer research has shown that 71% of young people (legal drinking age to 24) listed listening to music as their most common leisure activity, far ahead of going to bars, talking with friends or watching sports on TV. Because music is of such interest to our key market segment, bringing high-energy, innovative music events to fans enables us to interact with consumers and to bring Molson closer to communities across the country.

Universal Concerts Canada produced more than 900 shows in calendar 1998, which drew three million fans from coast to coast. Universal Concerts is one part of Molson's entertainment strategy to bring exciting music events to communities big and small across Canada. A second part includes our ownership of a variety of venues such as the Molson Centre in Montreal and the Molson Amphitheatre in Toronto, which host the biggest names in music from around the world.

When the Molson Amphitheatre at Ontario Place in Toronto opened in the spring of 1995, it was named 'best new venue of the year'. During calendar 1998, more than 340,000 fans converged on the Molson Amphitheatre to enjoy the talent of a variety of world-class entertainers, including Shania Twain and Celine Dion.

Molson-branded events are also an important part of how we bring music to Canadians. The ***Rockfest Molson Dry***, which has taken place for the past three years in Montreal, Quebec, is an example of such an event. ***Rockfest*** took place from June 3 to 6, 1998 and featured an eclectic mix of talent such as Colin James, Chuck Berry and Eric Lapointe, who, along with others, played for more than 140,000 enthusiastic fans.

Edgefest Music Festival is an event that brings Canadian music fans together. In June and July 1998, ***Edgefest*** drew more than 150,000 fans to eight cities across the country to celebrate homegrown talent such as The Tea Party, Econoline Crush and Moist.

Finally, Molson sponsors many diverse music events in large and small communities from coast to coast. During the summer months, thousands of people in Newfoundland enjoy the ***George Street Festival*** and the ***Labrador Folk Festival***, thanks, in part, to our sponsorship.

In Quebec, we are proud to entertain music lovers at ***Le Festival d'été de Québec***, ***Le Festi-Jazz de Rimouski*** and ***Le Beat Molson Dry***.

In Ontario, Molson hosts concerts at Molson Park in Barrie, which draws more than one million people each summer for entertainment extravaganzas like the ***Canada Day Festival***, presented by ***Molson Canadian Rocks***. Music fans also head to Molson Place at Toronto's Harbourfront for the ***Soul and Blues Festival***.

On April 30, 1998, the Western region entered into a five-year partnership agreement with Orca Bay Sports and Entertainment. This landmark agreement provides a platform for concerts and other entertainment events at GM Place in Vancouver through Universal Concerts Canada. Molson is the major promoter of live entertainment in British Columbia.

Wherever crowds gather to enjoy exciting music events, chances are Molson helped make things happen. Music is a critical element of the beer experience in Canada and as a major sponsor of a wide variety of high-impact music events big and small across the country, we entertain millions and simultaneously build consumer loyalty to our brands.

reverb

Molson is centre-stage with energetic, breakthrough events to reach music lovers across Canada.

[illegible] marketed by [illegible] Canadian

Molson brand sales in the United States
(percentage of total Molson sales per area)

Molson owns 24.95% of Molson USA, which is the marketing and distribution business in the United States for the Molson and Foster's brands imported into the United States from Molson in Canada. Miller Brewing Company, which has a 50.1% interest in Molson USA, manages and provides services to the business. FBG owns the remaining 24.95% interest.

The principal brands marketed by Molson USA are *Molson Ice*, *Molson Canadian*, *Molson Golden* and *Foster's*, all of which are brewed by Molson in Canada.

Molson products are sold throughout the United States, including Hawaii and Alaska. The vast majority of sales, however, are in the eastern region of the United States, ranging from northern Virginia to the Canadian border, and as far west as Detroit. Close to 36% of Molson brand sales are to consumers in the state of New York.

Our equity share of Molson USA's net earnings in fiscal 1999 was $9.3 million, compared with $2.7 million in fiscal 1998, which only included four months' earnings.

In volume terms, the imported beer category in the United States increased by more than 15% during calendar 1998 to 19.1 million hectolitres. Molson USA products accounted for approximately 12%, or 2.3 million hectolitres, of that volume. Sales of the Molson brands in the United States continue to be led by *Molson Ice*, which is the top-selling imported ice beer in the United States. *Molson Canadian* is also performing well. In addition, the *Foster's* brand continues to experience excellent sales growth. Overall, however, the Molson brands lost ground to other imported brands during fiscal 1999, a development which is of concern to Molson management.

In order to reverse the relative decline in the performance of the Molson brands in the United States, Molson reinforced its presence with distributors in the United States. This was achieved by adding new sales management staff in each of Molson's major markets, where the majority of beer distribution is carried on through large independent wholesalers, which in turn sell to retail and on-premises distributors. During the year, Molson USA also adopted a new advertising approach for the Molson brands.

The U.S. market continues to hold excellent promise for imported beer brands. In addition to direct measures taken in the marketplace by Molson USA, we are reviewing our strategic position in the U.S. market.

relevant

Molson's market share increased in Quebec, Ontario and Newfoundland, and was stable in western Canada.

The Brewing Industry in Canada

Molson is Canada's oldest brewer, and has been a critical player in the development of the brewing industry in this country. As Molson has grown and thrived over the years, it has had to adapt to changing social attitudes, increasing taxation, new government regulation, growth of imports and constantly changing competitive pressures. Indeed, it is difficult to understand Molson without understanding the brewing industry in Canada and the conditions under which it operates.

A Significant Contribution to the Economy

Consumers sipping a cold Molson appreciate that they are enjoying a high-quality, refreshing product, second to none. But usually, little thought is given to the amount of work and number of people who make it possible to bring that beer to them. *(see chart A)*

- In 1997, the brewing and marketing of beer contributed $11.1 billion to the Canadian economy, representing 1.3% of Canada's total gross domestic product (GDP)
- The brewing industry constituted more than half the total GDP contribution generated by the entire beverage sector

The brewing industry is a major employer in Canada, accounting for 1.3% of total employment. Close to 180,000 people are tied to the production and distribution of beer. They include farmers in the Western provinces who grow Canada's world-famous malting barley, the suppliers of materials used by the brewing industry, brewers across the country, and those involved in the selling and distribution of brewing products.

Exporting is an increasingly important business activity for Canada's brewers. *(see chart B)*

- Of the approximately 23 million hectolitres of beer produced annually, close to 16% is exported, primarily to the United States
- Canada exports close to three and one-half times more beer than it imports, adding to Canada's positive trade balance

Major beneficiaries of brewing enterprises are the federal, provincial and municipal governments of Canada that, in 1997, received just over $4.6 billion in taxes and other revenues.

While the economic contribution of the brewing industry is impressive, there are wider social and cultural benefits that brewing brings to Canada. Across the country, brewing companies, and the people who work for them, are deeply involved in their local communities, offering their support to local charities and community-based sports and recreational activities.

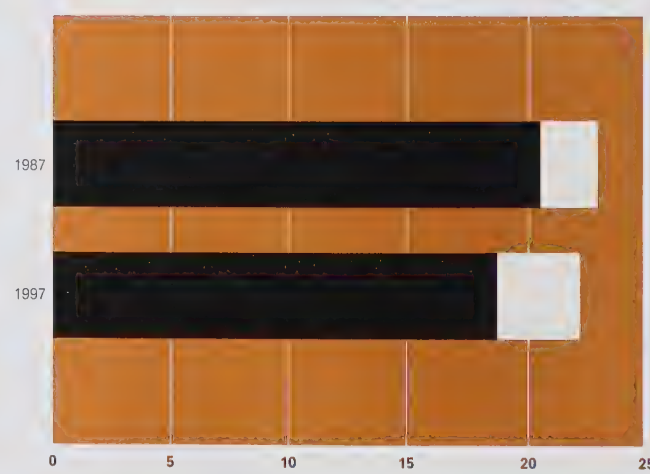
Regulation

The alcoholic beverage sector is one of the most heavily regulated in the country. Every aspect of brewing, from manufacturing to sales and distribution, is subject to government regulation.

Recently, however, distribution restrictions have been increasingly liberalized. Retail outlets in certain provinces have become more accessible to the public, providing longer sales hours and Sunday shopping. This shift reflects the public's desire for better access to alcoholic beverages, as well as liberalized attitudes toward enjoying them. In addition, recent evidence from the medical community indicates that moderate consumption can contribute to a healthy lifestyle. However, the public still views alcoholic beverages as different from regular grocery items and generally continues to support some degree of regulation on alcohol.

A. Brewers Account for More Than Half the Total GDP Contribution Generated by Beverage Industries *(percentage)*

Source: Statistics Canada – Catalogue No. 15-001 XPB



B. Consumption and Exports of Beer Made in Canada *(millions of hl)*

Source: Brewers Association of Canada, Economic Facts 1997

Consumption Exports

Note: Excludes imports, sales by U-brews and consumption of beer made at home

Each provincial government imposes licensing requirements on the brewing and distribution of beer. These requirements have evolved to reflect the social policy objectives of the various provincial governments. In most provinces, the industry engages in some form of joint distribution. The exceptions are Quebec and Newfoundland, where each brewer carries out its own distribution.

In Ontario, each brewer pays a service fee based on its sales volume through Brewers Retail Inc., the principal retail distribution organization for beer in that province. Molson along with certain other brewers, participates in the ownership of Brewers Retail Inc.

In western Canada, most beer is distributed by Brewers Distributors Limited (BDL), a jointly owned distribution company. As in Ontario, Molson participates in the ownership of BDL. In Alberta, the government-owned-and-controlled distribution system was privatized in 1994. While the Alberta government continues to collect its provincial mark-up, it is no longer involved in the distribution or retailing of alcoholic beverages in the province.

In Quebec and Newfoundland, beer is distributed separately by each brewer through owned and independent agents. Retail sales for home consumption in Quebec and Newfoundland are made through grocery and convenience stores. With approximately 9,000 retailers and 12,500 licencees, Quebec has the widest beer distribution network in Canada.

In all other provinces, co-operative distribution systems are used, with sales to the home consumer being made through independent licensed retail outlets or government-operated stores. The distribution systems in each province also generally provide the collection network for bottles and cans. Although there are few government regulations on the size or type of beer packaging, industry-standard bottles and cans have been adopted on a voluntary basis to promote efficient reuse of glass and aluminum, and contribute to overall operating efficiency.

Leadership in Environmental Responsibility

As a leader in environmental responsibility, the industry reuses three-quarters of its packaging and recycles the remaining quarter. *(see chart C)*

- Approximately 97% of beer bottles are returned for reuse – each bottle is used 15 to 25 times, then ground up and recycled into a new beer bottle
- 85% of beer cans are recycled through recycling systems across Canada – compared with 40% for soft drink cans

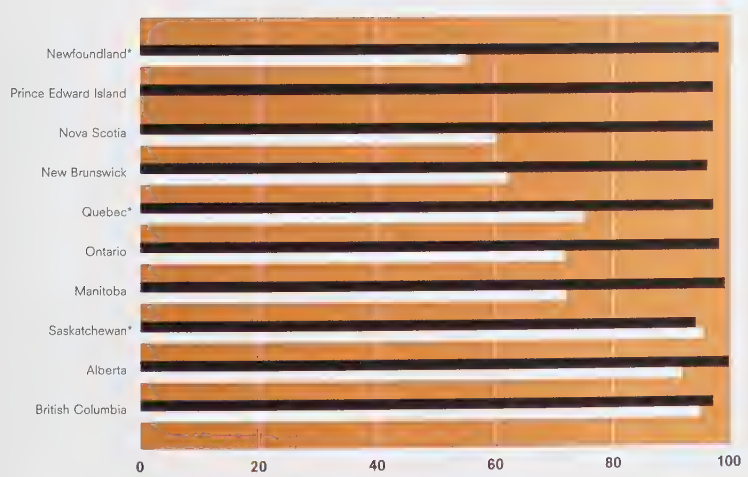
Environmental legislation is putting increased pressure on Canadian industry to develop packaging-stewardship initiatives to reduce waste and improve recycling methods. However, due to the brewing industry's self-initiated environmental practices, it has been exempt from much of this government regulation. The brewing industry has kept ahead of government legislation, and in some cases, set the standard for other industries.

Taxation

Beer is taxed at four levels in Canada: two federal taxes (an excise tax and a sales tax) and two provincial taxes (a provincial mark-up tax and the retail sales tax in each province). *(see chart D)*

- Canadian beer has the third-highest tax rate in the world – on average, taxes account for 52% of the total price of beer (compared with 19% in the United States)

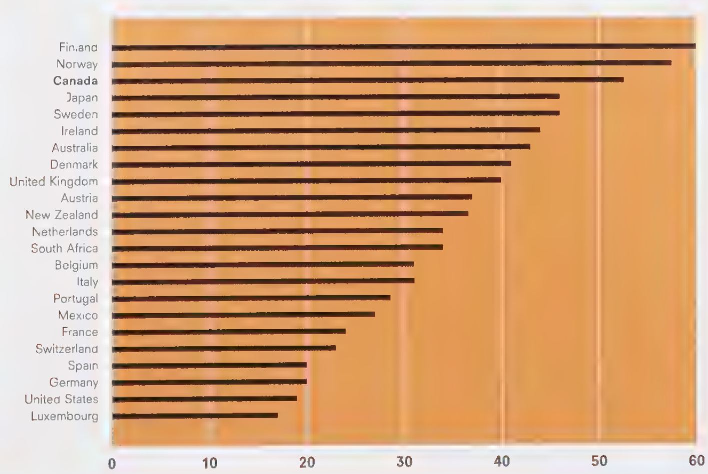
Canada's federal and provincial governments each impose two levels of tax, for a total of four separate taxes. In most other countries, only two taxes are levied on beer: a production tax and a sales tax. Canada's high taxes on beer reflect governments' extensive involvement in the retailing process.



C. Return Rates on Industry Glass and Aluminum Containers by Province *(percentage)*

Source: Brewers Association of Canada, Annual Statistical Bulletin 1997
Note: Prince Edward Island does not sell canned beer
*All beverages sold in cans, including soft drinks

Bottles 97% Cans 85%



D. Total Taxes on Beer as a Percentage of the Retail Price

Source: Brewers Association of Canada, Annual Statistical Bulletin 1997 (as at December 1996)

Advertising

There are strict regulations in place on the advertising of beer in Canada. While beer advertising can promote a specific brand, advertisements cannot show beer being consumed, and beer cannot appear in sexually suggestive situations or during recreational activities.

Jurisdiction over the advertising of alcoholic beverages is split between the federal and provincial governments, with some overlap. The Canadian Radio-television and Telecommunications Commission (CRTC) is the primary regulator of broadcast advertising.

Since 1996, the brewing industry has taken on the responsibility, with support from the CRTC, of ensuring compliance with federal broadcast advertising standards by contracting the Advertising Standards Council (ASC) to pre-clear all radio and TV scripts before they go on the air. The ASC views the scripts and either approves them or advises the brewer of a violation before the public is exposed to the advertisement. The brewing industry's partnership with the ASC has helped to standardize broadcast advertising regulation across the country.

Over and above product advertising, the brewing industry has made an extensive investment to promote the responsible consumption of alcohol. The industry has spent in the order of $100 million over the last 10 years on programs to promote responsible drinking. This total includes advertising, as well as educational programs for doctors, pregnant women, young adults and others.

Competitive Pressures

In today's competitive marketplace, brewers in Canada are facing increased pressure to compete effectively. The Canadian beer market has, however, now experienced a number of years of relative stability in per capita consumption after several years of decline. In particular, per capita consumption among the important younger segment (legal drinking age to 24) has remained constant for three consecutive years. Molson's preliminary data show that per capita consumption overall is increasing in 1999.

Imported beers also represent a significant competitive pressure in Canada, with this segment constituting approximately 4.3% of the total market, according to Molson's fiscal 1999 data. While this may seem small, the figure is now four times the 1986 share. Molson's fiscal 1999 data indicate that microbrews, on the other hand, make up 8% of the total market in Canada. Microbrews are marketed and perceived differently from the products offered by large brewers, and have helped to create a renewed interest in beer.

The impact of imports and smaller micro and regional brewers on large brewers is evident at various levels across the country. For example, the Liquor Control Board of Ontario (LCBO) has undergone an upscale re-imaging over the past few years. As part of this makeover, the LCBO has given imported beers and microbrewery products more shelf space and a higher profile in their outlets. This increase in profile has stiffened competition.

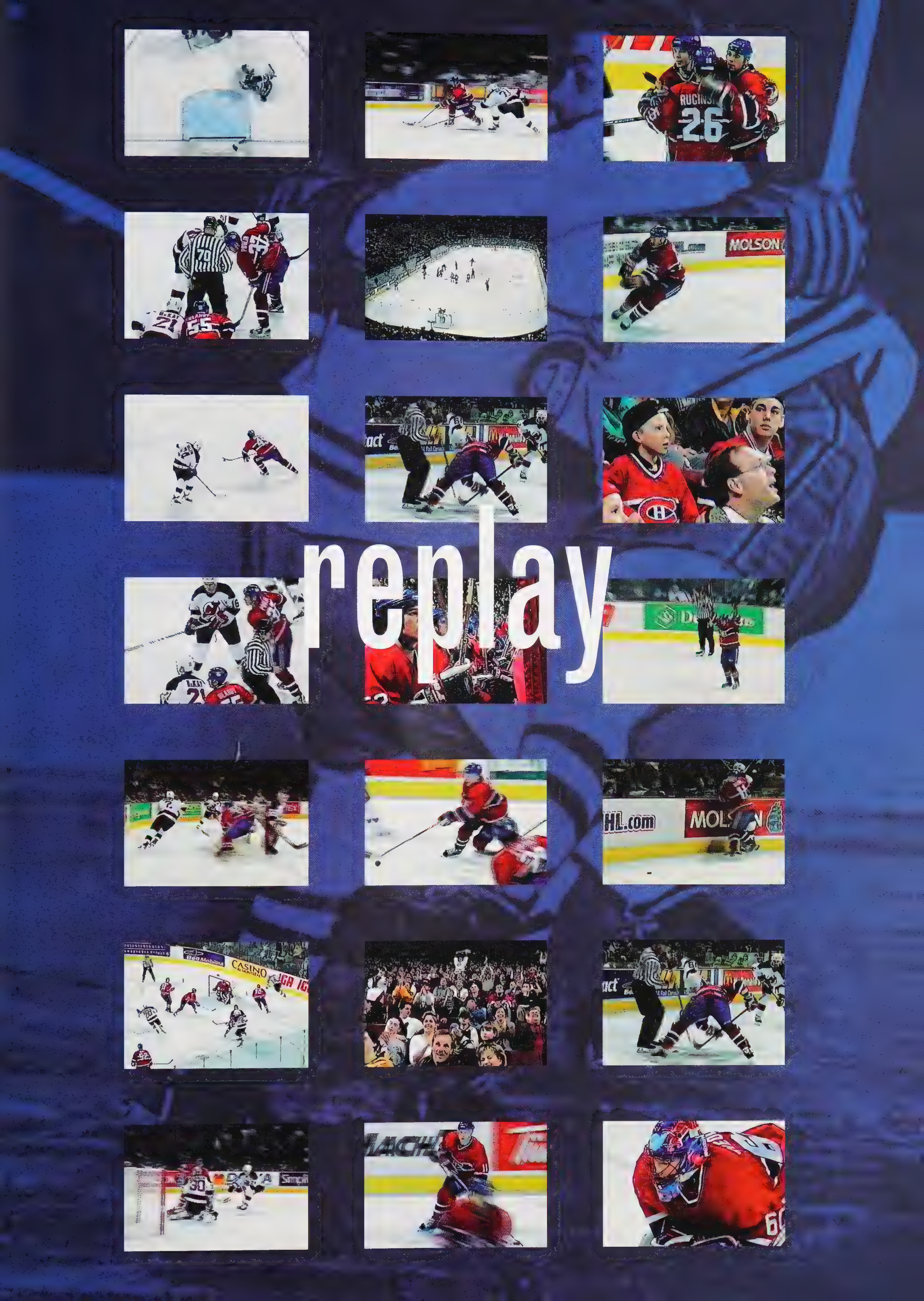
Challenges and Opportunities

Moving into the 21st century, brewers will seek out and capitalize on export opportunities around the world. The United States traditionally has been a successful, readily accessible market for Canadian beer. The challenge for the Canadian brewing industry is to build on that success in the United States and beyond.

It is also important for Canada's brewers to build on the domestic market by broadening the appeal of beer to all consumers. This involves encouraging loyal beer drinkers to continue to make beer their beverage of choice in later life. It also means ensuring that beer remains a suitable beverage for older, more sophisticated drinkers, as well as for those trying to maintain a healthier lifestyle.

All information provided by the Brewers Association of Canada, 1997, unless otherwise referenced.

John Molson, Brewer, 1786:
9,000 citizens bought 4,000 gallons of John Molson's beer at five cents a bottle.


replay
MOLSON
CASINO

Sports and Entertainment

Financial Summary *($ millions)*	**1999**	1998
Sales and other revenues	**157.3**	134.1
Earnings before interest, income taxes and amortization	**13.6**	11.5
Amortization of property, plant and equipment	**(8.3)**	(8.1)
Amortization of intangible assets	**(0.5)**	(0.5)
Operating profit before interest and income taxes	**4.8**	2.9

With 24 Stanley Cups — [illegible] any other team in history — the Montreal Canadiens is [illegible] successful professional [illegible] ams of all time.

Molson's Sports and Entertainment business consists of the Montreal Canadiens of the National Hockey League (NHL), and the Molson Centre in Montreal, one of North America's leading multi-purpose sports and entertainment complexes.

Financial Results

In fiscal 1999, sales and other revenues increased by 17.3% to $157.3 million. The increase was due primarily to the receipt of NHL expansion proceeds of $4.4 million, higher revenue from attractions at the Molson Centre and participation in three additional home playoff games.

For the year ended March 31, 1999, hockey operations and Molson Centre activities reported an operating loss before interest and income taxes of $3.8 million, compared with an operating profit of $2.9 million in the previous year. The loss in fiscal 1999 reflects higher players' salaries, the impact of U.S. dollar exchange rates and increased hockey operations costs. Increased revenues from attractions at the Molson Centre and from broadcasting and additional home playoff games for the 1997-98 season helped to partly offset that loss. During fiscal 1999, Molson repaid all outstanding third-party debt on the Molson Centre. The Montreal Canadiens benefited from new English- and French-language television broadcasting arrangements with the NHL during fiscal 1999.

Hockey Operations and Molson Centre *($ millions)*	**1999**	1998
Operating profit before interest and income taxes	**4.8**	2.9
Exclude: NHL expansion proceeds	**(4.4)**	–
Montreal Forum lease settlement	**(4.2)**	–
Operating profit (loss) from hockey operations and Molson Centre activities	**(3.8)**	2.9


STANLEY
CUP
1964-65
STANLEY
CUP
1965-66
1967-68
1968-69
MOTOROLA
28
44

In particular, the Club de Hockey Canadien (CHC) signed an agreement with the NHL to negotiate and administer the League's national French broadcasting rights for regular season and playoff games, and CHC's local French and English broadcasting rights. In addition, a new four-year television contract in the United States will result in added revenues for the Canadiens beginning in the 1999-2000 season.

National Hockey League expansion fees will bring new revenues to CHC during each of the next two fiscal years. Atlanta, Georgia will become an NHL city during fiscal 2000, as will St. Paul, Minnesota and Columbus, Ohio during fiscal 2001.

The Molson Centre is a state-of-the-art [illegible] and entertainment facility that has hosted more than 500 events since it was opened in March 1996

The Molson Centre

The Molson Centre is a state-of-the-art sports and entertainment facility that is home to the Montreal Canadiens. The Molson Centre has hosted more than 500 events since it was opened in March 1996. In addition to the home games of the Montreal Canadiens, the Molson Centre continues to welcome artists and events of international calibre, from Pearl Jam to Riverdance and Celine Dion. Having welcomed almost 6 million visitors since it was opened, it ranks today as the second-highest grossing sports and entertainment complex in North America. The Molson Centre continues to pay municipal taxes at a substantially higher rate than similar facilities in other North American cities. We have submitted an appeal against these municipal tax assessments, and hearings before the Quebec Administrative Tribunal commenced in March 1999. These appeal hearings are expected to continue for approximately 12 months.

The Montreal Canadiens

The business of hockey continued to be difficult during fiscal 1999. Escalating player salaries and the relative weakness of the Canadian dollar against the U.S. dollar are the two factors that most affected the financial results of the team.

In April 1998, the National Hockey League and the six Canadian NHL teams, including the Montreal Canadiens, made a joint presentation to the Sub-Committee of the Parliament of Canada on the Study of Sport in Canada. The Canadian teams underlined the precarious situation of professional hockey in Canada and asked the federal government to treat professional hockey as an industry that is important to the national economy and Canadian culture. The dialogue with the federal government continues.

We believe that the continuing escalation of player salaries is the single most important factor affecting the financial performance of the team, and indeed, the ability of professional hockey to flourish outside of all but the largest North American cities. The NHL collective bargaining agreement concludes at the end of the 2003-04 season.

Molson and the Montreal Canadiens — Two Great Brand Names

In our annual report for fiscal 1998, we said that Molson must consider new strategies to ensure that our Sports and Entertainment operations remain healthy and profitable, and ultimately contribute to our net earnings. The subsequent acquisition of 50% of Molson Breweries, giving us 100% ownership, created a unique opportunity to leverage two excellent brand names – Molson and the Montreal Canadiens!

A strategic review of our Sports and Entertainment businesses is now partially complete. Hockey is clearly an important marketing vehicle for the sale of beer and at Molson, we have concluded that we can improve financial returns by leveraging our beer and hockey brand names. While we continue to study specific ways to do that in the Montreal market with the Canadiens, we have in the meantime decided to transfer our American Hockey League franchise from Fredericton, where Molson has no significant presence in the beer market, to Quebec City, which is a significant market for several Molson brands. Molson will, of course, be the principal sponsor of the new Quebec City team.

Left to right

Simon Fraser University students Bernadette Marzo, Philip Marzo, Shelley Neuman and Tami Ogura help further the cause of literacy in their community as volunteers for Frontier College's Students for Literacy program in British Columbia.

Molson's Responsibility to the Communities We Serve

Molson Companies Donations Fund donated approximately $1.1 million to charitable organizations across Canada in fiscal 1999, detailed as follows:		
Health and Social Welfare Programs	United Way	$ 270,740
	Local Agencies	216,328
	Hospitals	121,102
	National Programs	28,344
	Other	9,637
		$ 646,151
Education	Post-Secondary	113,782
	Public Education Programs	35,215
	Secondary Schools	5,200
		$ 154,197
Civic	General	45,110
	Youth Groups	37,043
	Community Centres	20,130
		$ 102,283
Athletic Organizations		100,085
Performing and Visual Arts		31,060
Environment		23,208
Other		2,440
Total fiscal 1999 donations		**$1,059,424**

John Molson instilled a spirit of giving at Molson that has endured. Over the years, we have remained true to the philosophy of our founder, building on his commitment to give something back to every community Molson serves.

Born out of the Molson tradition and our deep roots in communities throughout Canada, Molson's community involvement is intimately linked with the values of every Molson employee. Employees across the country are instinctively committed to the philosophy that as a corporate citizen, Molson has a social responsibility to fulfill – a responsibility to play our part.

Corporate giving and social responsibility take on a variety of forms at Molson. We have always been quick to act in times of crisis, providing relief for the victims of natural disasters like the floods in Manitoba and the Saguenay region of Quebec, and the ice storm in Ontario and Quebec. These spontaneous reactions to crisis situations did not involve specific planning or budgeting, but rather a mobilization of employees and resources based on the need for help and the commitment by Molson and our employees to do the right thing, which is an integral part of the way we do business.

Molson also gives back to the community through more targeted activities that help us build consumer loyalty. We are also highly aware of the need to take responsibility for the products we sell, and so we fund programs throughout Canada to raise awareness about responsible use.

Making a Difference

We have a deep commitment to supporting community projects and charitable organizations across Canada, dating back to Molson's involvement in founding the Montreal General Hospital, McGill University and the Théâtre Royal. Since its creation in 1973, the goal of the *Molson Companies Donations Fund* (MCDF) has always been to help raise public awareness and support of important issues, and to make a real difference in communities where our roots are deepest.

MCDF has one national committee, chaired by our Chief Executive Officer, James Arnett, and four regional committees to help Molson keep in touch with specific community needs.

Left to right:
Local Heroes Ryan Decker, Harvey Brown, Jay Bibstock and Jim Royle refurbished goal posts on a soccer field in St. John's, Newfoundland.

Left to right:
Alan Mercury, Geoff Alston, Kenny Lopez, Chris Buhagiar, Mike Burke, Lisa Daley and Paul Ferguson worked together to build a new bullpen and outfield fencing in Scarborough, Ontario.

Each year, donations are divided among these committees, and thus benefit a wide range of community-based programs and organizations active in support of social welfare, health, education, civic awareness, the environment and culture.

MCDF has supported Frontier College, Canada's oldest literacy organization, on a national and regional level since 1992. This past year, MCDF continued its partnership with Frontier College by sponsoring the Students for Literacy program. The program recruits student volunteers from university campuses across Canada and trains them to set up literacy programs in their own communities. Already active on 50 university campuses, Students for Literacy, in partnership with MCDF, aims to establish the program on every university campus by the year 2000.

In fiscal 1999, MCDF provided support to a variety of community-based organizations on a regional level. The University of Western Ontario Molson Wall of Fame was unveiled in October 1998 through a donation by MCDF to Western's Sport Medicine and Kinesiology Pavilion. The Wall of Fame lists the names of 210 athletes, coaches and staff from the university who have represented Canada at various international competitions since 1908.

In Quebec, MCDF supported Community Perspective in Mental Health, a non-profit organization that provides long-term support to people with mental illnesses. Every year, the organization serves an average of 300 people on the West Island of Montreal through its various programs, helping them gain a sense of independence and community belonging.

The Western Committee of MCDF donated funds to Aunt Leah's Independent Lifeskills Society in British Columbia during fiscal 1999. This society runs a youth education and employment training program, as well as a residential care home focused on helping young people aged 16 to 24 achieve long-term self-sufficiency.

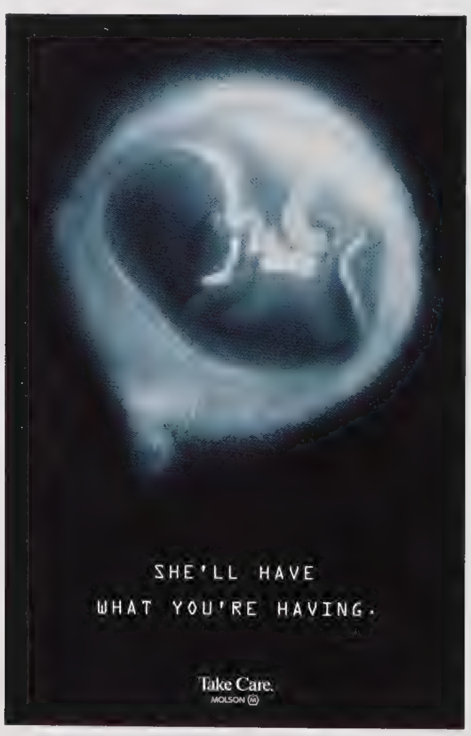
As part of MCDF, the *Employee Matching Gifts Program* was launched in 1993 to encourage and recognize employees' involvement in their communities. The program matches employee donations to charitable organizations from $25 to $2,500. Those employees who take an active leadership role in charitable work have their donations 'double-matched' by Molson. In fiscal 1999, more than $170,000 was contributed in employee matching gifts. Molson and our employees have donated almost $2 million to a variety of charitable organizations across the country since the inception of the program six years ago.

Other initiatives outside the realm of the *Molson Companies Donations Fund* include Molson's involvement with AIDS. We have been a proud partner in the fight against AIDS since 1988. Over the past 10 years, Molson, our consumers and our employees have helped the HIV/AIDS community raise more than $8 million by supporting a range of unique events held across the country. Our involvement combines corporate giving and marketing expertise to bring worthwhile projects, such as AIDS Walk Canada, Dancers for Life and Laughing Matters, to Canadians.

Taking Responsibility

Taking responsibility for the products we sell is a social imperative. For the past 13 years, Molson has made a specific commitment to promote responsible drinking. The *Take Care* program, which originated with Molson's involvement with Indy car racing in 1986, has grown and evolved over the years, largely as a result of the commitment of our employees to the program and a corporate culture that has facilitated its development.

There is now a *Take Care* component to everything Molson does. The *Take Care* message to drink responsibly is fully integrated into the



The Théâtre Royal, 1825
Owned by John Molson, the theatre catered to Montreal's 31,
Charles Dickens appeared here in 1842

philosophy and culture of Molson in general, and more specifically, into all marketing and sales initiatives on a national and regional level. The *Take Care* message is spread at motorsport events by Canadian Indy drivers Greg Moore and Patrick Carpentier. The message is also highly visible at music and recreational events like *Molson Canadian Rocks*, and through other advertising and promotional activities year-round. Each region builds individual programs by working with organizations that support responsible use.

In fiscal 1999, the third annual Greg Moore Campus Tour took place, which saw Greg Moore team up with university students in Ontario and the Western provinces to promote safe driving and responsible drinking. Patrick Carpentier took part in a similar tour in Quebec, which involved a number of universities and colleges.

In September 1998, the *Take Care* program introduced a new campaign on fetal alcohol syndrome. The "She'll Have What You're Having" tagline appears in transit shelters across the country to help remind pregnant women to take care of themselves and their babies.

Partners in the Community

Molson builds consumer loyalty and goodwill at the grassroots level through the *Local Heroes/EquipAction* program. The program provides funding ranging from $50 to $5,000 to revitalize community recreational facilities across Canada. Launched in spring 1998, *Local Heroes/EquipAction* helps foster community spirit and encourages active participation in sports and recreational activities.

The program was highly successful in its first year, receiving more than 1,400 applications – 50% more than the program target. In total, 586 *Local Heroes/EquipAction* projects were completed in fiscal 1999, involving 10,000 community members and Molson employees across the country.

Local Heroes/EquipAction projects varied in scope and size. With Molson's help, volunteers repaved inner-city outdoor basketball courts, repaired township hockey arena roofs, added night lighting to outdoor soccer fields, resodded abandoned softball diamonds, and cleaned up hiking and cycling trails. From Lillooet, British Columbia and Baldur, Manitoba, to Gatineau, Quebec, *Local Heroes/EquipAction* made a difference in communities from coast to coast.

The *Local Heroes/EquipAction* program received hundreds of letters of support and gratitude from communities that benefited from the program, as well as from federal and provincial governments, thanking us for our commitment to Canadian communities.

Moving into its second year, *Local Heroes/EquipAction* aims to encourage even more employee involvement and fund 20% more projects to reach more communities than ever across Canada.

The Tradition Continues

For more than 200 years, the spirit of giving back to the community has been as much a part of the Molson tradition as making beer. As a responsible corporate citizen, Molson is committed to building on John Molson's philosophy and playing our part in communities across Canada.

Imagine
A Caring Company

United Way
of Greater Toronto

review

[illegible] Companies Limited's Results of Operations and Financial Condition

The following comments are intended to provide a review and analysis of the Corporation's results of operations and financial position for the year ended March 31, 1999 in comparison with the year ended March 31, 1998 and should be read in conjunction with the consolidated financial statements and accompanying notes. In this management's discussion and analysis, the terms "we," "our," "us," "Corporation" and "Molson" refer to The Molson Companies Limited together with its subsidiaries, unless the context otherwise indicates.

The most significant event for us in fiscal 1999 was the acquisition on June 23, 1998 of the remaining 50% of the Molson Breweries partnership and a 24.95% interest in the Coors Canada partnership from Foster's Brewing Group Limited for a cash payment of $1 billion, which was financed by a combination of cash and bank debt. As a result of this transaction the Molson Breweries partnership is fully owned by us. We also increased our interest in the Coors Canada partnership from 24.95% to 49.9%.

To assist the reader, pro forma information identifying what our results would have been had we owned 100% of Molson Breweries since April 1, 1997, and 49.9% of the Coors Canada partnership since it began operations on January 1, 1998, has been detailed on page 39 of this report.

Overview

Financial Highlights *($ millions, except per share information)*

	1999	1998
Sales and other revenues	**2,120.1**	1,071.8
Brewing excise and sales taxes	**536.0**	259.8
	1,584.1	812.0
Earnings before interest, income taxes, amortization and the undernoted	**267.6**	117.2
Rationalization and other costs	**(58.0)**	(9.0)
Earnings before interest, income taxes and amortization (i)	**209.6**	108.2
Amortization of property, plant and equipment	**(54.3)**	(28.8)
Amortization of intangible assets	**(28.5)**	(4.5)
Operating profit	**126.8**	74.9
Net interest expense	**(62.7)**	(13.5)
Income taxes	**(36.1)**	(22.3)
Earnings from continuing operations	**28.0**	39.1
Earnings from discontinued operations	**141.9**	72.0
Net earnings	**169.9**	111.1
Earnings per share		
Continuing operations	**0.47**	0.67
Discontinued operations	**2.41**	1.22
Net earnings per share	**2.88**	1.89
Dividends per share	**0.72**	0.72
Cash flow from continuing operations	**193.7**	84.1
Cash flow per share from continuing operations	**3.28**	1.43
Outstanding shares (ii) *(millions)*	**59.0**	58.8

(i) EBITDA
(ii) Weighted average number of outstanding Class "A" non-voting shares and Class "B" common shares.

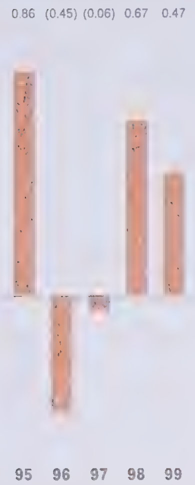
Sales and Other Revenues (1)
($ millions)

EBITDA (1)
($ millions)

(1) Fiscal years 1995 through 1997 reflect the proportionate consolidation of 40% of the sales and earnings of Molson Breweries. Fiscal 1998 reflects the proportionate consolidation of 40% of Molson Breweries to November 30, 1997 and 50% thereafter. Fiscal 1999 reflects the proportionate consolidation of 50% of Molson Breweries to June 23, 1998 and the consolidation of 100% thereafter.

Earnings (Loss) per Share – Continuing Operations

$



Continuing Operations

Earnings before interest, income taxes and amortization of property, plant and equipment and intangible assets (EBITDA) for fiscal 1999 were $209.6 million, compared with the prior year's $108.2 million. Earnings from continuing operations during the year ended March 31, 1999 were $28.0 million, or $0.47 per share, compared with $39.1 million, or $0.67 per share, last year.

- The increase in EBITDA was due primarily to the proportionate consolidation of 50% of Molson Breweries from April 1, 1998 to June 23, 1998 and the consolidation of 100% thereafter. In fiscal 1998, in comparison, we proportionately consolidated 40% of Molson Breweries from April 1, 1997 to November 30, 1997 and, due to the purchase of an additional 10% interest, 50% thereafter to March 31, 1998.

EBITDA for fiscal 1999 was reduced by rationalization costs of $58.0 million for severance and other costs related to improvements in brewing and distribution system productivity and customer service, primarily in the province of Quebec. The net after-tax impact of the current year's rationalization costs was $40.0 million, or $0.68 per share. Our previous year's results were reduced by an after-tax cost of $5.8 million, or $0.10 per share, related to our share of Molson Breweries' severance and other costs.

- Excluding the above rationalization costs, our earnings from continuing operations in fiscal 1999 would have been $68.0 million, or $1.15 per share, compared with $44.9 million, or $0.77 per share, in fiscal 1998.

Amortization of property, plant and equipment and intangible assets for fiscal 1999 was $82.8 million, compared with last year's $33.3 million.

- The increase was due to the higher amortization generated by our acquisition of additional interests in Molson Breweries in December 1997 and June 1998.

Net interest expense for the year ended March 31, 1999 was $62.7 million, compared with $13.5 million for the prior fiscal year.

- The increase in net interest expense was due primarily to the financing cost of our additional ownership interest in Molson Breweries, offset, in part, by interest income of $8.2 million received on a commodity tax refund.

Our cash flow from continuing operations before working capital adjustments, for the year ended March 31, 1999 was $193.7 million, compared with $84.1 million for the previous year. Cash flow per share from continuing operations for fiscal 1999 was $3.28, compared with $1.43 for the prior year.

- The increase was attributable primarily to our higher ownership interest in Molson Breweries.

Our effective tax rate for the year ended March 31, 1999 on earnings from continuing operations excluding rationalization and other costs, was 44.3%, compared with a rate of 36.2% in fiscal 1998.

- The increase in our effective tax rate was attributable mainly to the non-deductibility for tax purposes of additional intangible asset amortization resulting from the acquisition of additional ownership interests in Molson Breweries.
- In the absence of unusual circumstances, our effective tax rate on earnings from continuing operations in fiscal 2000 is expected to be approximately 49%, reflecting a full year's amortization of Brewing intangible assets, which are not tax-deductible.

Pro Forma Performance

The following table details our unaudited pro forma performance had we owned 100% of Molson Breweries since April 1, 1997, and had we owned 49.9% of Coors Canada since it began operations on January 1, 1998.

The pro forma presentation has necessitated a reduction in fiscal 1998's pro forma Brewing EBITDA by certain net expenses totalling $4.1 million, including additional capital taxes to reflect the increased capital tax base of the Corporation. In addition, a number of items of a non-operating nature, which are detailed below, have been identified as "Other non-recurring income (costs)".

Pro Forma *(unaudited) ($ millions)*	**1999**	1998
Sales and other revenues		
Brewing	**2,251.3**	2,172.5
Excise and sales taxes	**614.4**	603.3
	1,636.9	1,569.2
Sports and Entertainment	**157.3**	134.1
Other	**3.8**	1.6
	1,798.0	1,704.9
Earnings before interest, income taxes, amortization and the undernoted		
Brewing	**301.3**	295.1
Sports and Entertainment	**5.0**	11.5
Other	**(18.4)**	(17.6)
	287.9	289.0
Rationalization and other costs	**(58.0)**	(17.9)
Other non-recurring income (costs)	**18.6**	(4.8)
Earnings before interest, income taxes and amortization (i)	**248.5**	266.3

(i) EBITDA

- Our pro forma EBITDA before rationalization and other costs for the year ended March 31, 1999, whicl included an increase of 2.1% for Brewing, decreased by 0.4% to $287.9 million

The increase in pro forma Brewing EBITDA before rationalization and other non-recurring costs was partially offset by a 56.5% decline in Sports and Entertainment EBITDA, the reasons for which are detailed in the review of Sports and Entertainment operations. Fiscal 1999 pro forma EBITDA of $248.5 million was reduced by rationalization costs of $58 million as described under "Continuing Operations". Last year's pro forma EBITDA of $266.3 million was reduced by rationalization costs of $17.9 million for severance costs in respect of a special buyout program for employees in the Quebec and Ontario breweries.

Other non-recurring income in fiscal 1999 of $18.6 million included $9.1 million in Brewing (of which $8.2 million was for a commodity tax refund), $4.4 million in respect of NHL expansion proceeds recorded in Sports and Entertainment, $4.2 million related to the Montreal Forum lease settlement and $0.9 million for Corporate office items. Fiscal 1998 non-recurring costs of $4.8 million, included Corporate items of approximately $12 million, which are more fully described under "Other" on page 44, offset, in part, by miscellaneous refunds in Brewing of approximately $7 million.

Brewing pro forma sales net of excise and sales taxes rose by 4.3% over fiscal 1998. Approximately 36% of the increase was the result of higher domestic sales volumes. The balance was due primarily to the net impact of consumer price increases, partially offset by a 4.2% reduction in shipments to markets in the United States.

Fiscal 1999 pro forma Brewing EBITDA before rationalization and other non-recurring net income amounted to $301.3 million, an increase of 2.1% over last year's $295.1 million.

- The increase was due mainly to domestic sales volume increases (largely due to increased industry volume) and increased consumer prices across the country, offset, in part, by higher marketing and sales expenses.

Review of Operations

The following tables summarize the revenues, EBITDA and operating profit of our major business segments.

	Sales and Other Revenues	
($ millions)	**1999**	1998
Brewing	**1,959.0**	936.1
Excise and sales taxes	**536.0**	259.8
	1,423.0	676.3
Sports and Entertainment	**157.3**	134.1
Other	**3.8**	1.6
	1,584.1	812.0

	EBITDA		Operating Profit (Loss) (i)	
($ millions)	**1999**	1998	**1999**	1998
Brewing (ii)	**213.5**	126.6	**139.9**	102.4
Sports and Entertainment	**13.6**	11.5	**4.8**	2.9
Other	**(17.5)**	(29.9)	**(17.9)**	(30.4)
	209.6	108.2	**126.8**	74.9

(i) Operating profit (loss) is before interest and income taxes.
(ii) Fiscal years 1999 and 1998 were reduced by rationalization and other costs of $58.0 million and $9.0 million, respectively.

The results of each of our businesses are reviewed below:

Brewing

Brewing consists of the ownership by Molson of 100% of Molson Breweries, 49.9% of the Coors Canada partnership which is proportionately consolidated, and 24.95% of Molson USA, LLC (Molson USA) which is equity accounted.

Brewing Sales and Other Revenues (1)
($ millions)

(1) Fiscal years 1995 through 1997 reflect the proportionate consolidation of 40% of the sales and earnings of Molson Breweries. Fiscal 1998 reflects the proportionate consolidation of 40% of Molson Breweries to November 30, 1997 and 50% thereafter. Fiscal 1999 reflects the proportionate consolidation of 50% of Molson Breweries to June 23, 1998 and the consolidation of 100% thereafter.

($ millions)	**1999 (i)**	1998 (ii)
Sales and other revenues	**1,959.0**	936.1
Excise and sales taxes	**536.0**	259.8
	1,423.0	676.3
Earnings before interest, income taxes, amortization and the undernoted	**271.5**	135.6
Rationalization and other costs	**(58.0)**	(9.0)
Earnings before interest, income taxes and amortization (iii)	**213.5**	126.6
Amortization of property, plant and equipment	**(45.6)**	(20.2)
Amortization of intangible assets	**(28.0)**	(4.0)
Operating profit (iv)	**139.9**	102.4

(i) The current year's results reflect our 50% proportionate share in Molson Breweries and 24.95% partnership interest in Coors Canada until June 23, 1998, the consolidation of 100% of Molson Breweries and proportionate consolidation of 49.9% of Coors Canada thereafter, and our 24.95% equity interest in Molson USA.
(ii) The prior year's results reflect our 40% proportionate share in Molson Breweries until November 30, 1997, and 50% thereafter, our 24.95% equity interest in Molson USA after November 30, 1997 and the proportionate consolidation of our 24.95% partnership interest in Coors Canada from January 1, 1998.
(iii) EBITDA
(iv) Before interest and income taxes

Sales Revenue, Volume and Market Share

The increase in sales and other revenues reflects the proportionate consolidation of 50% of Molson Breweries' revenues from April 1, 1998 to June 23, 1998 and the consolidation of 100% thereafter, compared with the proportionate consolidation of 40% to November 30, 1997 and 50% from December 1, 1997 to March 31, 1998.

Volume *(millions of hectolitres)*	**1999**	1998
Industry	**20.4**	20.0
Molson (Canada)	**9.2**	9.0
Molson (United States)	**2.3**	2.4

Estimated industry sales volume in Canada, including sales of imported beer, during the year ended March 31, 1999 increased by 2.1% to approximately 20.4 million hectolitres, compared with fiscal 1998. The increase occurred principally in the provinces of Quebec, Ontario and Alberta. The import segment increased by 3.8% compared with the prior year.

Molson Breweries' Average Market Share	**1999**	1998
Including sales of imports:		
Canada	**45.3**	45.2
Quebec	**48.9**	48.7
Ontario	**51.4**	51.3
West	**41.4**	41.4

Sources: Brewers Association of Canada, provincial liquor authorities, industry distribution companies

Molson Breweries continues to be the largest producer of beer sold in Canada and has the highest market share in Newfoundland, Quebec, Ontario, Saskatchewan and Alberta. For fiscal 1999, Molson Breweries had a market share of 45.3% of all beer sold in Canada, including imported beer, compared with 45.2% for fiscal 1998.

- The change in Molson Breweries' market share for all beer sold in Canada was the net result of the continued strong performance of *MOLSON DRY* in Quebec and *MOLSON CANADIAN* in the West, partially offset by lower share results for discount brands in western Canada. Market share in Ontario was up slightly, despite strong pressure from U.S. imports and the continuing popularity of regional and microbrewery products.

Molson Breweries' beer sales to the U.S. market in fiscal 1999, which represented approximately 21% of our total volume, decreased by 4.2% from the previous year's volume to 2.3 million hectolitres. Molson brands lost ground in the United States to other import brands during fiscal 1999.

Profit from Operations

EBITDA from Brewing for the year ended March 31, 1999 was $213.5 million, compared with last year's $126.6 million. Our operating profit before interest and income taxes from Brewing for fiscal 1999 was $139.9 million, compared with the prior year's $102.4 million.

- The higher EBITDA reflects our increased ownership in Molson Breweries and the Coors Canada partnership, as well as the inclusion of a full year's earnings from Molson USA compared with earnings for only four months in fiscal 1998. The changed ownership position boosted our fiscal 1999 EBITDA by approximately $87 million.

During the fourth quarter of fiscal 1999, Molson Breweries, in partnership with its unions in the province of Quebec, announced an agreement on plans to improve brewery and distribution system productivity, and customer service.

- The agreement, which reduces the workforce by approximately 350 employees at the Montreal brewery and in the distribution function throughout the province of Quebec, is a mix of job buyout offers and enhanced pension benefits and has resulted in a one-time pre-tax charge of $56.0 million. The new arrangement is expected to result in a pre-tax cost savings of $9 million in fiscal 2000, and we expect to realize annual pre-tax cost savings of $9 million to $13 million thereafter.
- In fiscal 1999, we also established a provision of $2.0 million related to distribution optimization in western Canada.

Brewing EBITDA (1)

($ millions)

Brewing Operating Profit (1)

($ millions)

(1) Fiscal years 1995 through 1997 reflect the proportionate consolidation of 40% of the earnings of Molson Breweries. Fiscal 1998 reflects the proportionate consolidation of 40% of Molson Breweries to November 30, 1997 and 50% thereafter. Fiscal 1999 reflects the proportionate consolidation of 50% of Molson Breweries to June 23, 1998 and the consolidation of 100% thereafter.

(1) Fiscal years 1995 through 1997 reflect the proportionate consolidation of 40% of the assets and liabilities of Molson Breweries. Fiscal 1998 reflects the proportionate consolidation of 50% of Molson Breweries. Fiscal 1999 reflects the consolidation of 100% of Molson Breweries.

Amortization of property, plant, equipment and intangible assets for fiscal 1999 increased from $24.2 million to $73.6 million, primarily as a result of our additional ownership interest in Molson Breweries.

Coors Canada

The Coors Canada partnership, which is 49.9% owned by Molson, is responsible for the management of the Coors brands in Canada. Molson Breweries brews, distributes and sells Coors brands in Canada. The Coors Canada agreements may be terminated, without cause, on two years' notice, in which case Molson Breweries would have the right to continue to manufacture, distribute and sell Coors products for an additional period of up to 12 months. Coors Canada commenced operations on January 1, 1998 and from that date to June 23, 1998 was 24.95% owned by Molson, at which point we acquired an additional 24.95% interest.

- Sales volume of Coors' brands and Coors Canada's EBITDA during fiscal 1999 were both ahead of expectations. Estimated average market share in Canada was 5.5%, compared with 5.2% in fiscal 1998.

Molson USA

Molson USA, which is 24.95% owned by Molson, markets and distributes Molson and Foster's brands in the United States. These brands are imported into the United States from Molson Breweries in Canada. The production of beer, which is sold to Molson USA, enables Molson Breweries to enjoy the benefits flowing from increased utilization of its brewing capacity. In addition, Molson Breweries receives a royalty from Molson USA and we also participate in the marketing and distribution profits through our 24.95% interest in Molson USA. The Molson and Foster's brands accounted for approximately 12% of the United States import beer market in calendar 1998.

Despite *MOLSON ICE* remaining the leading imported ice beer in the United States, Molson brands performed below our expectations.

- We are attempting to rectify this by reinforcing our presence with distributors in the United States. In addition, Molson USA has adopted a new advertising approach for our brands in fiscal 1999.

Our equity share of Molson USA's net earnings in fiscal 1999 was $9.3 million, compared with $2.7 million in fiscal 1998, which included only four months' earnings.

Other

We anticipate that volume in the Canadian beer industry will be stable over the next few years due primarily to the impact of demographic trends. During the past several years, Molson Breweries' market share has declined due to effective competition from many small regional brewers and microbrewers and certain foreign brewers, in addition to its national competitor. In fiscal 1999, efforts to arrest the decline started to show results. The continuous improvement of Molson Breweries' share remains one of our primary objectives.

The current government of Ontario has announced its intention to consider the privatization/modernization of a variety of government corporations and agencies including the Liquor Control Board of Ontario (LCBO). The LCBO is the government agency responsible for the distribution and sale of alcoholic beverages (primarily distilled spirits and wine) in Ontario. Through a limited selection of brands and package sizes, LCBO sales account for more than 12% of the beer volume sold in Ontario. It is not clear when, or to what extent, such privatization and/or modernization will occur, but Molson Breweries is monitoring the situation closely to ensure that the efficiency and service provided to customers of the Brewers Retail Inc. (BRI) system (responsible for all other home consumer beer sales in Ontario) is maintained. This is seen as an ongoing process which involves working closely with BRI's shareholders and users to ensure that both retail systems work well together and that they continue to provide consumers with an extensive selection of products in a modern retailing environment.

Molson Breweries continues its efforts to reduce costs and improve the efficiency of its operations. In addition to progress made in fiscal 1999, we are now actively implementing other programs aimed at creating additional value by permanently reducing the cost of doing business. However, a significant portion of Molson Breweries' material costs, such as aluminum, malted barley, processed corn and corrugated paper, are exposed to price risks characteristic of commodities.

Molson Breweries is reviewing its spending in the critical areas of marketing and sales and is looking at ways to spend less, while spending more effectively across the entire range of marketing and sales expenditures.

Outside of North America, we are pursuing low-risk, low-investment opportunities to build the Molson brand.

Sports and Entertainment

Sports and Entertainment consists of Club de Hockey Canadien, Inc. (CHC), owner of the Montreal Canadiens of the National Hockey League (NHL), and Molson Centre Inc., which owns and operates a multi-purpose sports and entertainment venue in Montreal.

($ millions)	**1999**	1998
Sales and other revenues	**157.3**	134.1
Earnings before interest, income taxes and amortization	**13.6**	11.5
Amortization of property, plant and equipment	**(8.3)**	(8.1)
Amortization of intangible assets	**(0.5)**	(0.5)
Operating profit (i)	**4.8**	2.9

(i) Before interest and income taxes

Sports and Entertainment Sales and Other Revenues
($ millions)

The receipt of expansion proceeds of $4.4 million related to the addition of the Nashville NHL franchise for the current season, together with higher revenue from attractions of $11.4 million and $4.0 million arising from participation in three additional home playoff games in the 1997-98 season, were the main reasons for the increase in our sales and other revenues for the year ended March 31, 1999, compared with the prior year.

($ millions)	**1999**	1998
Operating profit	**4.8**	2.9
Exclude: NHL expansion proceeds	**(4.4)**	–
Montreal Forum lease settlement	**(4.2)**	–
Operating profit (loss) from hockey operations and Molson Centre activities	**(3.8)**	2.9

As reflected in the above table, our hockey operations and Molson Centre activities during fiscal 1999 resulted in an operating loss before interest and income taxes of $3.8 million, compared with an operating profit of $2.9 million in the previous year.

- The loss in fiscal 1999 reflects higher players' salaries (including the impact of U.S. dollar exchange thereon of approximately $2.5 million) and increased hockey operations costs, both totalling $11.0 million, offset, in part, by an increase of $2.4 million for attractions and broadcasting net revenues and $2.4 million for additional home playoff games.
- In August 1998 we closed an agreement with a developer whereby it acquired the Montreal Forum which was leased by us on a long-term basis. This transaction resulted in a $4.2 million recovery of a provision established in fiscal 1996.

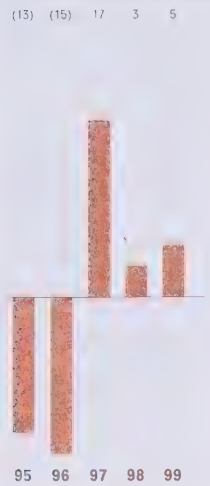
Sports and Entertainment EBITDA
($ millions)

The NHL had previously approved the admission of four new clubs to the League. Nashville, Tennessee commenced operations during fiscal 1999, Atlanta, Georgia will enter the League in fiscal 2000 and teams in St. Paul, Minnesota and Columbus, Ohio will join the League in fiscal 2001.

- Expansion proceeds related to the Nashville franchise have been reflected in fiscal 1999 in the amount of $4.4 million. Additional proceeds of US$3.1 million and US$6.1 million are expected to be received in fiscal years 2000 and 2001, respectively.

In fiscal 1998, the NHL, on behalf if its member clubs, concluded four-year agreements for English national television and cable rights in Canada with the Canadian Broadcasting Corporation and CTV SportsNet Inc. These agreements replace the transborder agreement which expired at the conclusion of the 1997-98 season. Also during fiscal 1998, CHC and the NHL entered into an arrangement for a term of four years commencing with the 1998-99 season, under which CHC will negotiate and administer the League's national French broadcasting rights for regular season and playoff games and CHC's local French and English broadcasting rights.

Sports and Entertainment Operating Profit (Loss)
($ millions)



During fiscal 1999, the Fox Network advised the NHL that it would not exercise its option to broadcast nationally televised games in the U.S. market for the 1999-2000 and 2000-2001 seasons. As a result, the NHL negotiated a five-year agreement with ESPN and ABC Networks commencing with the 1999-2000 season. The incremental annual operating profit to CHC from this development is estimated to be approximately $2 million over the term of the agreement.

The existing NHL Collective Bargaining Agreement between NHL member teams and the NHL Players' Association concludes at the end of the 2003-2004 season. Substantial increases in player salaries, payable in U.S. dollars, coupled with the relative weakness of the Canadian dollar continue to have a significant negative impact on profitability. Management expects these trends to continue for the foreseeable future. Each change of US$0.01 in the exchange rate affects EBITDA by $0.5 million; however, we have a foreign exchange hedging policy in place to counteract some of the impact of foreign exchange movements.

Municipal realty taxes on the Molson Centre are substantially higher than the comparable taxes levied on any other NHL arena, particularly those in the United States, most of which we understand are subsidized by substantial public funding. The Molson Centre pays more realty taxes than any other team in the league. In fact, its realty taxes are double those of all U.S. teams combined. These taxes, which amounted to $9.7 million in fiscal 1999, are currently under appeal. Appeal hearings began in March 1999 and are expected to continue for approximately 12 months.

Unfortunately, the Montreal Canadiens did not experience a successful year on the ice and failed to qualify for the 1999 playoffs. This non-participation in post-season competition is expected to result in a negative impact of approximately $5 million on EBITDA in fiscal 2000 compared with fiscal 1999.

The financial performance of our Sports and Entertainment assets has been unsatisfactory. There are, however, no plans to sell the Montreal Canadiens. We are firmly committed to improving the financial performance of our Sports and Entertainment assets for shareholders and are working on a strategic action plan in this regard.

Molson Centre

The Molson Centre, a state-of-the-art sports and entertainment facility, is the home of the Montreal Canadiens. The Molson Centre has staged approximately 500 events of a varying nature since it opened, featuring international stars and attracting almost six million patrons. The facility is located on leased land in downtown Montreal. The lease agreement allows us to purchase the property at a fixed price at any time after October 2003.

Borrowings of approximately $117 million under a $150 million five-year term floating rate Molson Centre/CHC facility to partially finance the Molson Centre were repaid early in fiscal 1999 and the credit facility was cancelled.

The Molson Centre provides seating for 21,273, including 135 private suites on two levels, the remaining lease terms of which range mostly from two to eight years. The facility also includes 2,600 club seats providing VIP service to its clientele. The facility's seating can be easily configured to accommodate between 2,000 and 23,000 spectators for concerts, hockey and other sporting events and conventions.

Sports and Entertainment Capital Employed
($ millions)

Other

The caption "Other" in the table of Operating Profit (Loss) on page 40 includes the net costs of operating the Corporate office and maintaining a public company. No part of these costs is allocated to business operations for segmented disclosure purposes. Fiscal 1998 expenses included $9.0 million for our review of potential opportunities in the beer business and $2.6 million related to obligations arising from an employment contract with a former President and Chief Executive Officer of the Corporation.

We are taking measures to align management compensation more closely with improvement in shareholder value. We are currently undertaking a review of the financial targets that we expect management to meet, and executive compensation in the future will be tied to success in meeting those targets. We are shifting the emphasis to short- and long-term financial incentives and away from compensation programs based primarily on fixed pay.

We are currently reviewing various ways to improve the efficiency, performance and returns of our businesses. These reviews include a benchmarking study of general and administrative costs, a capacity review, a marketing and sales spending study, a review of brand performance in the United States, and a review of Sports and Entertainment. Any changes which are implemented following these reviews may result in significant one-time charges in future fiscal years.

As previously announced, the Scotia Plaza executive office in downtown Toronto will be closed. The majority of the staff will relocate to Molson Breweries' North American Brewing Office on Bloor Street in Toronto at the end of May 1999. A small nucleus of executive and strategic functions, including that of the President and Chief Executive Officer, and Chief Financial Officer, have been re-established in Montreal, where our head office has been located since 1786. The Montreal office will also be responsible for planning and developing our activities outside of North America.

- This reorganization is expected to realize an annual pre-tax saving of approximately $6 million.

Discontinued Operations

On April 30, 1998, we sold our 25% interest in The Home Depot Canada to subsidiaries of The Home Depot, Inc. of Atlanta for cash consideration of $375.0 million. The after-tax cash proceeds from this sale were approximately $360 million. Subsequently, on June 30, 1998, we reached the decision to discontinue our participation in the Retail sector by adopting a formal plan to dispose of the Beaver Lumber business.

- The gain on The Home Depot Canada transaction and the write-down of our investment in Beaver Lumber to its estimated net realizable value resulted in a net gain of $133.7 million in fiscal 1999

Earnings from discontinued operations of $141.9 million for the year ended March 31, 1999 included the after-tax earnings of Beaver Lumber during the three months ended June 30, 1998 and our 25% share of The Home Depot Canada's earnings to the date of disposal, together with the net gain on the disposal of The Home Depot Canada and the estimated net loss on the eventual disposal of Beaver Lumber. Earnings from discontinued operations also included a tax benefit of $2.5 million resulting from previously unrecognized loss carry-forwards, compared with $1.1 million in fiscal 1998.

On May 12, 1998, we sold our interest in AmeriClean Systems Inc. to an affiliate of Unilever. A loan guarantee was discharged, and the proceeds from the sale of our equity investments in AmeriClean and the repayment of debt were approximately $37 million.

Financial Condition

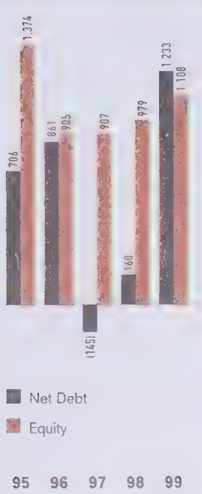
Our consolidated balance sheet as at March 31, 1999 together with comparative fiscal 1998 figures is summarized as follows:

($ millions)	**1999**	1998
Current assets	**535.9**	793.3
Less: Current liabilities	**(656.0)**	(480.8)
Working capital	**(120.1)**	312.5
Investments and other assets	**271.8**	175.1
Property, plant and equipment	**1,212.0**	722.0
Intangible assets	**1,310.5**	264.6
Non-current assets of discontinued operations	**109.4**	329.3
	2,783.6	1,803.5
Represented by:		
Long-term debt	**1,271.5**	561.1
Deferred gain	**63.0**	69.1
Deferred liabilities	**102.2**	66.7
Deferred income taxes	**120.0**	54.4
Non-current liabilities of discontinued operations	**118.8**	73.7
	1,675.5	825.0
Shareholders' equity	**1,108.1**	978.5
	2,783.6	1,803.5

Working Capital

The reduction in working capital from the previous year's $312.5 million reflected the utilization of cash and short-term investments to form part of the payment of $1,074.1 million (including costs and assumed short-term debt) to acquire the remaining 50% interest in Molson Breweries and 24.95% of Coors Canada in June 1998.

Net Debt and Equity
($ millions)



- This outflow of funds was partially offset by the receipt of cash consideration of $375 million on the sale of our 25% interest in The Home Depot Canada in April 1998 and $37 million for the sale of our interest in AmeriClean Systems Inc.

We also expect to receive additional cash from the sale of our discontinued Retail business, Beaver Lumber. Our current operations and available credit facilities are expected to generate sufficient working capital for our needs in fiscal 2000.

At March 31, 1999, our ratio of current assets to current liabilities was 0.8:1, compared with last year's ratio of 1.7:1, with the reduction being due mainly to the utilization of cash to increase our ownership interests in Molson Breweries and Coors Canada. During fiscal 1999, our commercial paper rating was maintained at R-1 (low) with a stable outlook by Dominion Bond Rating Service (DBRS); however, Canadian Bond Rating Service (CBRS) reduced our rating to A-1 with a stable outlook on June 29, 1998.

Other Assets
Our investments and other assets; property, plant and equipment; and intangible assets all increased compared with the prior year, due primarily to our acquisitions of the remaining 50% interest in Molson Breweries and 24.95% of Coors Canada.

Financial Instruments and Long-Term Liabilities
Our consolidated long-term debt for the years ended March 31, 1999 and 1998 was as follows:

($ millions)	**1999**	1998
Term Loan	**280.0**	–
Term Loan (Molson Centre)	**–**	116.9
Term Loan (Molson Breweries)	**202.2**	48.7
Debentures (Molson Breweries)	**742.3**	349.1
Land lease (Molson Centre)	**50.0**	50.0
Other	**0.2**	0.4
	1,274.7	565.1
Less: Current portion	**3.2**	4.0
	1,271.5	561.1

- Our long-term debt increased during fiscal 1999, due primarily to the consolidation of additional debt in Molson Breweries as a result of our acquisition of the remaining 50% interest in that business, and as a result of borrowing to partly finance the above acquisition.

The Term Loan of $280.0 million represents borrowings under a $550 million five-year term credit facility arranged with a syndicate of banks, of which $190 million was available on a revolving basis. This facility replaced an existing $250 million revolving term facility, which was undrawn. The Molson Centre Term Loan was repaid and cancelled in May 1998.

- On May 3, 1999, subsequent to the end of fiscal 1999, we issued two series of debentures totalling $300 million. The Series A Debentures for $150 million bear annual interest of 5.40% and are due on May 3, 2002, while the Series B Debentures for $150 million bear annual interest of 5.50% and are due on May 3, 2004.
- The net proceeds from the offering were $297.9 million, which were used to repay borrowings of $280 million under the $550 million five-year term credit facility which was cancelled in its entirety, and for general corporate purposes. The refinancing eliminated certain restrictive covenants and is also expected to reduce annual net interest expense by approximately $3 million.

The Term Loan (Molson Breweries) represents borrowings (50% at March 31, 1998) made by Molson Breweries under a $300 million revolving floating rate arrangement which is unsecured and without recourse to Molson Breweries' partners. Currently, the principal amount is fully repayable on August 31, 2003. At the option of Molson Breweries, and subject to the approval of the lenders, the facility may be extended for an additional year.

Details of the Debentures (Molson Breweries) are provided under note 14 (iv) of the consolidated financial statements.

During fiscal 1999, DBRS maintained our long-term debt rating at A (low) with a stable outlook; however, on June 29, 1998 CBRS downgraded our rating for senior unsecured debt to A (Low) with a stable outlook.

During fiscal 1999, CBRS maintained Molson Breweries' bond rating at A (High), while DBRS maintained Molson Breweries' rating at A with a stable trend.

Interest rates on total long-term debt ranged between 4.8% and 9.1% during fiscal 1999.

At March 31, 1999, our net debt to equity ratio was 53:47, compared with a ratio of 14:86 at March 31, 1998.

We utilize off-balance sheet financial instruments primarily to manage the volatility of borrowing costs and to hedge the economic risk of U.S. dollar and certain commodity requirements. The instruments which we use to manage these risks principally consist of interest rate swaps to manage interest rate exposure on long-term debt, and foreign currency options and forward contracts in respect of foreign currency exposure. We are currently a net buyer of U.S. dollars and have entered into certain foreign exchange contracts with maturities of less than 12 months. Molson Breweries also hedges some commodity purchases with futures contracts on U.S. commodity exchanges.

- We follow a policy of not using financial instruments for speculative purposes and have procedures in place to monitor and control the use of financial instruments.

Capital Spending

($ millions)

Capital Spending

Capital spending for the years ended March 31, 1999 and 1998 was as follows:

($ millions)	**1999**	1998
Brewing	**58.5**	31.4
Sports and Entertainment	**2.1**	9.8
Other	**0.2**	0.5
Total	**60.8**	41.7

Molson Breweries' capital spending in fiscal 1999 was used to support several strategic initiatives, such as the continuing upgrade of production equipment in the Montreal brewery, and included $3.1 million for Year 2000 activities. Fiscal 2000 capital spending is expected to be approximately $51 million, including spending for normal upkeep purposes, Year 2000 issues and strategic investments in our brewing production capability.

Sports and Entertainment's capital spending of $2.1 million was mainly for the Molson Centre, including $0.3 million related to Year 2000 activities. Fiscal 2000 capital spending is expected to be approximately $2 million, including $0.5 million for Year 2000 spending.

- We expect to fund fiscal 2000 capital expenditures from our operating cash flow and our objective is that capital expenditures should not exceed amortization of tangible assets.

Shareholders' Equity

Our capital stock increased during fiscal 1999 by $2.1 million to $464.3 million at March 31, 1999 due to the exercise of stock options and the issuance of stock dividends.

- Our book value per share increased to $18.77 at March 31, 1999 from $16.60 at March 31, 1998.

Dividends

Dividends paid to shareholders totalled $42.5 million in fiscal 1999 compared with $42.4 million in fiscal 1998. Our annual dividend rate was maintained during fiscal 1999 at $0.72 per share.

Changes in Financial Position

The decrease in net cash of $370.1 million, together with a comparison for fiscal 1998, is summarized below:

($ millions)	**1999**	1998
Provided from operations	**193.7**	84.1
Coors settlement	**–**	(50.0)
Provided from (used for) working capital	**(43.1)**	11.2
Rationalization costs	**(8.0)**	(16.6)
Provided from operating activities	**142.6**	28.7
Used for investing activities	**(1,151.3)**	(272.5)
Provided from (used for) financing activities	**267.6**	(14.8)
Cash dividends	**(40.5)**	(40.1)
Decrease in net cash from continuing operations	**(781.6)**	(298.7)
Increase in net cash from discontinued operations	**411.5**	46.0
Decrease in net cash	**(370.1)**	(252.7)

Cash used for working capital in fiscal 1999 amounted to $43.1 million, due mainly to increased receivables and inventory in Brewing, owing to increased sales volumes and the impact of foreign exchange costs; reduced payables due to the Montreal Forum lease settlement and a reduction in deferred revenue in Sports and Entertainment.

Cash used for investing activities of $1,151.3 million included $1,074.1 million for the cost of our acquisition of the remaining 50% interest in Molson Breweries and an additional 24.95% investment in the Coors Canada partnership, $60.8 million for the purchase of property, plant and equipment – mainly in Molson Breweries – and $25.0 million related to the funding of deferred pension arrangements. Cash used for investing activities was partially offset by proceeds from the disposal of investments and other assets, including proceeds from the sale of our interest in a loan to a private real estate development partnership.

Cash provided from financing activities of $267.6 million reflects the borrowing of $360.0 million under a $550 million revolving credit facility, offset, in part, by the paydown of $80.0 million on this borrowing, an increase of $104.8 million in the Molson Breweries Term Loan and the repayment of borrowings of $116.9 million under the Molson Centre $150 million floating rate facility.

The increase in net cash from discontinued operations of $411.5 million included $375 million from the sale of our 25% interest in The Home Depot Canada, and approximately $37 million from the sale of our interest in and the repayment of debt of AmeriClean Systems Inc.

Contingent Liabilities

We are subject to certain legal claims arising in the normal course of business and as a result of the disposition of previously held businesses, none of which is expected to materially affect our financial results.

Environment

We have a comprehensive program, guided by a committee of the Board of Directors, to oversee environmental, crisis management, and health and safety matters. Management has concluded, based upon existing information and applicable laws and regulations, that the amounts expended or anticipated to be expended by us on these matters, other than as specifically provided for, are not likely to be material to our operations or financial condition. Management is also unaware of any instance of non-compliance with environmental laws and regulations which is not being responsibly addressed.

Year 2000

We have engaged in a comprehensive process to address all significant internal and external Year 2000 business and technology risks. In general, these problems include elements involving software, hardware, brewery equipment and integration of our business systems with those of suppliers and customers. Year 2000 issues are shared by all businesses that depend on automated information processing, or that rely on other such companies, and could, unless rectified, cause malfunctions in certain systems with respect to dates before, on or after January 1, 2000.

Year 2000 teams were established for each of our operating businesses and we also engaged outside consultants to advise us on Year 2000 readiness and to assist in assessing progress. Principal suppliers and customers are being assessed by us for Year 2000 compliance as are all critical internal computer and process control systems. Solutions which extend into the last half of calendar 1999 will have contingency plans in place designed to contain risk. Year 2000 compliance projects for most of the critical systems have been completed, and the remaining few projects are scheduled for completion by October 1999.

The focus going forward for Molson Breweries will be in education and contingency planning. Business continuance planning will encompass both scenario-based contingencies and risk management during the new year transition period.

Although we are endeavouring to ensure that the Year 2000 issue is managed with respect to our own computer systems and are seeking to minimize similar issues in our supply chain, the Year 2000 issue is pervasive and continues to represent a risk. It is not possible to be certain that all aspects of the Year 2000 issue affecting Molson, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

Latest cost estimates for Year 2000 activities total approximately $16.6 million, including our 50% share of Molson Breweries' spending to June 23, 1998 and 100% thereafter. Of this amount, $9.5 million relating to replacement systems will be capitalized and the remaining costs are being expensed as incurred. During the year ended March 31, 1999, we expensed $4.3 million on Year 2000 activities, while $3.5 million was capitalized. Part of the increase compared with the prior year's total estimate of $4.6 million was due to our increased ownership interest in Molson Breweries.

Responsibilities for Financial Statements

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Corporation. Management is responsible for the information and representations contained in these financial statements and other sections of this Annual Report. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The major accounting policies followed by the Corporation are set out in note 1 to the financial statements.

To assist management in discharging these responsibilities, the Corporation maintains an effective system of internal control which is designed to provide reasonable assurance that its assets are safeguarded, that transactions are executed in accordance with management's authorization, and that the financial records form a reliable base for the preparation of accurate and timely financial information.

PricewaterhouseCoopers, Chartered Accountants, are appointed by the shareholders and have audited the consolidated financial statements in accordance with generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Corporation.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through an Audit and Finance Committee composed of five external directors. The Audit and Finance Committee meets periodically with management and with the external auditors to review audit recommendations and any matter which the auditors believe should be brought to the attention of the Board of Directors. The Audit and Finance Committee also reviews the consolidated financial statements and recommends to the Board of Directors that the statements be approved for issuance to the shareholders.

President and Chief Executive Officer

E. James Arnett
May 11, 1999

Executive Vice President and Chief Financial Officer

Patrick G. Crowley

Auditors' Report

To the Shareholders of The Molson Companies Limited

We have audited the consolidated balance sheets of The Molson Companies Limited as at March 31, 1999 and 1998 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and 1998 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Canada, May 11, 1999

Consolidated Statements of Earnings

Years ended March 31, 1999 and 1998 (Dollars in thousands, except per share amounts)	**1999**	1998
Sales and other revenues *(note 11 (ii))*	**$ 2,120,106**	$ 1,071,792
Brewing excise and sales taxes	**536,020**	259,799
	1,584,086	811,993
Costs and expenses		
Cost of sales, selling and administrative costs	**1,316,459**	694,777
Provision for rationalization and other costs *(note 6)*	**58,000**	8,967
	1,374,459	703,744
Earnings before interest, income taxes and amortization	**209,627**	108,249
Amortization of property, plant and equipment	**54,329**	28,837
Amortization of intangible assets	**28,518**	4,534
Operating profit	**126,780**	74,878
Net interest expense *(note 7)*	**62,715**	13,522
Earnings before income taxes	**64,065**	61,356
Income taxes *(note 8)*	**36,100**	22,257
Earnings from continuing operations	**27,965**	39,099
Earnings from discontinued operations *(note 2)*	**141,949**	72,002
Net earnings	**$ 169,914**	$ 111,101
Earnings per share from continuing operations *(note 9)*		
basic	**$ 0.47**	$ 0.67
fully-diluted	**$ 0.47**	$ 0.67
Earnings per share *(note 9)*		
basic	**$ 2.88**	$ 1.89
fully-diluted	**$ 2.82**	$ 1.85

Consolidated Statements of Retained Earnings

Years ended March 31, 1999 and 1998 (Dollars in thousands)	**1999**	1998
Retained earnings *– beginning of year*	**$ 516,359**	$ 447,624
Net earnings	**169,914**	111,101
	686,273	558,725
Dividends – cash	**40,493**	40,089
Dividends – stock	**1,996**	2,277
	42,489	42,366
Retained earnings *– end of year*	**$ 643,784**	$ 516,359

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Balance Sheets

As at March 31, 1999 and 1998 (Dollars in thousands)	**1999**	1998
Assets		
Current assets		
Cash and short-term investments	**$ 43,934**	$ 456,398
Accounts receivable	**163,962**	85,675
Inventories *(note 10)*	**127,052**	58,253
Prepaid expenses	**57,075**	32,598
Current assets of discontinued operations *(note 2)*	**143,854**	160,421
	535,877	793,345
Investments and other assets *(note 11)*	**271,813**	175,064
Property, plant and equipment *(note 12)*	**1,212,047**	721,971
Intangible assets *(note 13)*	**1,310,448**	264,591
Non-current assets of discontinued operations *(note 2)*	**109,392**	329,320
	$ 3,439,577	$ 2,284,291
Liabilities		
Current liabilities		
Bank indebtedness and short-term notes	**$ 2,567**	$ 51,087
Accounts payable and accruals	**326,310**	200,055
Provision for rationalization costs	**62,250**	15,740
Taxes payable	**81,018**	50,104
Dividends payable	**10,627**	10,607
Deferred income taxes	**28,791**	2,022
Current portion of long-term debt *(note 14)*	**3,210**	3,978
Current liabilities of discontinued operations *(note 2)*	**141,255**	147,164
	656,028	480,757
Long-term debt *(note 14)*	**1,271,476**	561,119
Deferred gain *(note 15)*	**63,030**	69,126
Deferred liabilities	**102,209**	66,684
Deferred income taxes	**119,989**	54,367
Non-current liabilities of discontinued operations *(note 2)*	**118,765**	73,692
	2,331,497	1,305,745
Shareholders' equity		
Capital stock *(note 17)*	**464,296**	462,187
Retained earnings	**643,784**	516,359
	1,108,080	978,546
	$ 3,439,577	$ 2,284,291

The accompanying notes to the consolidated financial statements are an integral part of this statement.

Signed on behalf of the Board:

Lloyd Barber

Director

Director

Consolidated Statements of Changes in Financial Position

Years ended March 31, 1999 and 1998 (Dollars in thousands)	**1999**	1998
Operating activities		
Earnings from continuing operations	**$ 27,965**	$ 39,099
Provision for rationalization and other costs *(note 6)*	**58,000**	8,967
Amortization of property, plant and equipment	**54,329**	28,837
Amortization of intangible assets	**28,518**	4,534
Deferred income taxes	**35,202**	4,075
Other	**(10,317)**	(1,414)
Cash provided from operations	**193,697**	84,098
Coors settlement *(note 5)*	**–**	(50,000)
Provided from (used for) working capital	**(43,057)**	11,253
Rationalization costs	**(7,992)**	(16,625)
Cash provided from operating activities	**142,648**	28,726
Investing activities		
Additions to property, plant and equipment	**(60,813)**	(41,683)
Additional investments in Brewing net assets including costs and bank indebtedness assumed *(note 3)*	**(1,074,099)**	(201,299)
Proceeds from sale of property, plant and equipment	**3,312**	4,479
Additions to investments and other assets	**(41,765)**	(47,528)
Proceeds from disposal of investments and other assets	**22,098**	13,530
Cash used for investing activities	**(1,151,267)**	(272,501)
Financing activities		
Increase in long-term debt *(note 14)*	**469,810**	149,402
Reduction in long-term debt *(note 14)*	**(202,383)**	(164,842)
Other	**132**	612
Cash provided from (used for) financing activities	**267,559**	(14,828)
Cash dividends	**(40,493)**	(40,089)
Decrease in net cash from continuing operations	**(781,553)**	(298,692)
Increase in net cash from discontinued operations *(note 2)*	**411,499**	45,970
Decrease in net cash	**(370,054)**	(252,722)
Net cash at beginning of year	**345,775**	598,497
Net cash (bank indebtedness) at end of year	**$ (24,279)**	$ 345,775
Net cash (bank indebtedness) consists of:		
Cash and short-term investments	**$ 43,934**	$ 456,398
Bank indebtedness and short-term notes	**(2,567)**	(51,087)
Bank indebtedness of discontinued operations	**(65,646)**	(59,536)
Net cash (bank indebtedness) at end of year	**$ (24,279)**	$ 345,775

The accompanying notes to the consolidated financial statements are an integral part of this statement.

1. *Accounting Policies*

Consolidation

The accounts of all subsidiaries are consolidated.

Joint ventures and other investments

The Corporation's investment in the Coors Canada partnership is proportionately consolidated. In fiscal 1999, prior to the acquisition of the final 50% interest, the Corporation's investment in Molson Breweries was proportionately consolidated. Subsequent to June 23, 1998, the Molson Breweries partnership is fully-consolidated (see note 3). Investments in entities over which the Corporation exercises significant influence are accounted for by the equity method. Other investments are carried at cost.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future, actual results could differ from the estimates.

Inventories

Inventories, other than returnable containers, are valued at the lower of cost and net realizable value. The cost of returnable containers is amortized over their estimated useful lives.

Capital assets

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is provided from the date property, plant and equipment are placed into service on the straight-line method, principally at annual rates of 2% to 5% for buildings and from 5% to 33% for equipment.

Intangible assets, which include goodwill, brand names and hockey franchises, are carried at cost less accumulated amortization. Amortization is provided on the straight-line basis, principally over 40 years.

The Corporation evaluates the potential permanent impairment of goodwill on an ongoing basis. Such evaluation determines any impairment in value, taking into account the ability to recover the unamortized portion of goodwill from expected future operating cash flows on an undiscounted basis. The Corporation also considers projected future operating results, trends and other circumstances in making such evaluations.

Real estate held for sale is stated at the lower of cost, which includes carrying and financing costs, and net realizable value.

Income taxes

The Corporation follows the tax deferral method of accounting for income taxes, whereby earnings are charged with income taxes relating to reported earnings. Differences between such taxes and taxes currently payable are reflected in the accounts and arise because certain items of revenue and expense are reported in the accounts at different times than they are reported for income tax purposes.

Pension plans

The Corporation has a number of pension plans, of both a contributory and non-contributory nature, which cover virtually all employees. The majority of plans provide defined benefits. Funding requirements are based on actuarial determinations. Pension expenses are charged to earnings using an actuarial method which matches pension plan costs to the year in which the related employee services are rendered. Past service costs together with experience gains and losses, and the initial difference between pension plan assets and the present value of the accrued pension benefits, are amortized over the expected average remaining service lives of the respective pension plan members.

Postemployment benefits

In addition to pension benefits, the Corporation generally provides postemployment benefits such as supplemental health care and life insurance. Costs of these benefits are charged to earnings as payments are made by the Corporation.

For the years ended March 31, 1999 and 1998 (Dollars in thousands, except per share amounts)

2. *Discontinued Operations*

On April 30, 1998, the Corporation sold its 25% interest in The Home Depot Canada to subsidiaries of The Home Depot, Inc. of Atlanta for cash consideration of $375,000. Subsequently, on June 30, 1998, the measurement date, the Corporation reached the decision to discontinue its participation in the Retail sector by adopting a formal plan to dispose of the Beaver Lumber business. The Home Depot Canada transaction and the estimated loss on the eventual disposal of Beaver Lumber resulted in a net gain of $133,661.

During fiscal 1996 the Corporation adopted formal plans to discontinue Diversey Corporation's Chemical Specialties business. With the exception of a number of redundant plants and other facilities, Diversey's three principal businesses were disposed of in fiscal 1997.

The estimated losses on the disposal of Diversey and the eventual disposal of Beaver Lumber are based on management's best estimate of assumptions with respect to a variety of items. These include the proceeds to be realized on the ultimate sale of Beaver Lumber and other retained assets, provisions for remediation, closure and other costs related to the disposition of redundant plants and other facilities previously operated by Diversey and not yet disposed of, and other actual and contingent liabilities and other possible claims. In fiscal 1998, management, based on information and facts then available, including the receipt of higher-than-expected sale proceeds, combined with the successful outcome of negotiations with respect to claims and prospective claims related to the prior operations of Diversey, released an amount of $51,500 from these provisions. The remaining balance of the provisions for loss is included in current and non-current liabilities of discontinued operations in the consolidated balance sheets.

There remains a risk that, owing to the magnitude and complexity of the Diversey disposition, and the eventual disposition of Beaver Lumber, the assumptions and resulting estimates on which the remaining provisions are based, may change with the passage of time and availability of additional information and facts. Any further changes to the provisions will be recognized as a gain or loss from discontinued operations in the period in which such changes are determined.

	1999	1998
Sales and other revenues	**$ 421,341**	$ 480,349
Earnings before income tax	**7,193**	30,468
Income tax expense	**1,424**	11,036
Net income from operations to measurement date	**5,769**	19,432
Net gain on disposal (i)	**133,661**	–
Provision release	**–**	51,500
Tax recovery from loss carry-forwards	**2,519**	1,070
Earnings from discontinued operations	**$ 141,949**	$ 72,002

(i) The net gain includes the gain on the sale of The Home Depot Canada together with transaction and other costs, and the provision for loss on the eventual disposition of the Beaver Lumber business and other actual and contingent liabilities and other possible claims. Also included in the net gain are the estimated net earnings from discontinued operations between the measurement date and the estimated date of disposal. The net gain includes tax recoveries totalling $21,389, including a recovery of $64,350 relating to the utilization of previously unrecognized tax losses.

Cash provided from (used for) discontinued operations is as follows:

	1999	1998
Operating activities	**$ 4,482**	$ 35,772
Investing activities	**400,628**	12,192
Financing activities	**6,389**	(1,994)
Cash provided from discontinued operations	**$ 411,499**	$ 45,970

For the years ended March 31, 1999 and 1998 (Dollars in thousands, except per share amounts)

3. *Investment in Brewing*

On December 1, 1997, the Corporation and Foster's Brewing Group Limited (FBG) purchased Miller Brewing Company's (Miller) 20% partnership interest in Molson Breweries, thereby increasing each partner's share of Molson Breweries to 50% at that time.

On June 23, 1998, the Corporation acquired FBG's 50% interest in the Molson Breweries partnership and its 24.95% interest in the Coors Canada partnership for a cash payment of $1,000,000. As a result of this transaction, the Corporation has 100% ownership of the Molson Breweries partnership. The transaction also increased the Corporation's interest in Coors Canada from 24.95% to 49.9%. The transaction was financed by proceeds from the realization of short-term investments and bank debt.

Details of the Corporation's acquisitions are as follows:

	1999	1998
Assets acquired and liabilities assumed:		
Working capital deficit	**$ (38,026)**	$ (8,948)
Property, plant and equipment	**499,336**	97,573
Brand names	**980,000**	75,725
Goodwill	**94,350**	119,344
Long-term debt	**(444,203)**	(79,574)
Deferred income taxes	**(55,000)**	(14,174)
Other	**37,642**	11,353
	$ 1,074,099	$ 201,299
Consideration:		
Cash (including costs and bank indebtedness assumed)	**$ 1,074,099**	$ 201,299

4. *Investments in Joint Ventures*

The following includes assets, liabilities, revenues and expenses, and cash flows of the Corporation's joint venture investment in Coors Canada which are included in the fiscal 1999 and 1998 consolidated financial statements. The following also includes fiscal 1998 assets, liabilities, revenues and expenses, and cash flows of Molson Breweries which are included in the consolidated financial statements, and fiscal 1999 Molson Breweries' revenues and expenses, and cash flows until June 23, 1998 which are included in the consolidated financial statements.

	1999	1998
Assets		
Current	**$ 6,517**	$ 141,328
Non-current	**$ 19,669**	$ 727,008
Liabilities		
Current	**$ 1,027**	$ 207,931
Long-term	**$ –**	$ 401,775
Sales and other revenues	**$ 362,107**	$ 931,390
Operating costs and other expenses	**$ 310,097**	$ 831,585
Net interest	**$ 6,937**	$ 24,609
Cash provided from (used for):		
Operating activities	**$ 53,512**	$ 37,548
Investing activities	**$ (9,044)**	$ (68,298)
Financing activities	**$ (73)**	$ (14,980)

For the years ended March 31, 1999 and 1998 (Dollars in thousands, except per share amounts)

Molson Breweries' fiscal 1999 assets and liabilities are recorded at 100%; fiscal 1999 revenues, expenses and cash flows to June 23, 1998 are recorded at 50%, and 100% thereafter. Molson Breweries' fiscal 1998 assets and liabilities are recorded at 50%; fiscal 1998 revenues, expenses and cash flows to December 1, 1997 are recorded at 40%, and 50% thereafter.

The Corporation is contingently liable for its partner's share of the liabilities of Coors Canada. In fiscal 1998, the Corporation was contingently liable for its partners' share of the liabilities of Molson Breweries and Coors Canada, with the exception of Molson Breweries' non-recourse debentures and non-recourse debt arising under the partnership term credit facility. The carrying value of the partnerships' assets in fiscal years 1998 and 1999 available to satisfy such liabilities exceeded the amount of such liabilities.

Coors Settlement and Coors Canada Partnership

On April 16, 1997, Molson Breweries paid $100,000 to Coors Brewing Company of Golden, Colorado in full settlement of an arbitration and all other legal proceedings between Adolph Coors Company and Coors Brewing Company (collectively, Coors) and Molson Breweries and its partners at that time. The settlement follows the October 1996 ruling by an arbitration panel that Molson Breweries had breached its license to manufacture and sell Coors products in Canada, resulting in the retroactive termination of the license effective April 2, 1993. The Corporation's share of the settlement amount and related other costs amounted to $56,596, which was provided for in fiscal 1997.

In December 1997, Coors Brewing Company, the Corporation and FBG formed a joint venture partnership, known as Coors Canada, to manage Coors brands in Canada. The Corporation and FBG each had a 24.95% interest in the partnership until June 23, 1998, when the Corporation increased its interest to 49.9%. Coors Canada Inc., a wholly-owned subsidiary of Adolph Coors Company, owns the remaining 50.1%. Molson Breweries continues to manufacture, distribute and sell Coors products in Canada under a new manufacturing, distribution and sales agreement and a new license agreement entered into with Coors Canada. These new agreements took effect on January 1, 1998 and may be terminated, without cause, with two years' notice, with the option on the part of Molson Breweries to continue to manufacture, distribute and sell Coors products for an additional period of up to 12 months.

6. *Provision for Rationalization and Other Costs*

	1999	1998
Molson Breweries	**$ 58,000**	$ 8,967

During the fourth quarter of fiscal 1999, Molson Breweries announced an agreement with its unions in the province of Quebec to improve brewing and distribution system productivity, and customer service.

The agreement, which reduces the workforce by approximately 350 employees at the Montreal brewery and in the distribution function throughout the province of Quebec, is a mix of job buyout offers and enhanced pension benefits and has resulted in a one-time pre-tax charge of $56,000.

Also in fiscal 1999, Molson Breweries established a provision of $2,000 related to distribution optimization plans in the Western region.

In fiscal 1998, the Corporation's share of charges recorded by Molson Breweries, related primarily to severance and other costs, amounted to $8,967.

7. *Net Interest Expense*

	1999	1998
Interest on long-term debt	**$ 75,820**	$ 32,396
Other interest	**3,570**	3,749
	79,390	36,145
Less: Interest income	**(16,675)**	(22,623)
	$ 62,715	$ 13,522

For the years ended March 31, 1999 and 1998 (Dollars in thousands, except per share amounts)

8. *Income Taxes*

The effective income tax rate on earnings from continuing operations is influenced from year to year by the business segment mix of the consolidated earnings, as well as various tax incentives introduced by governments from time to time to encourage investment (such as manufacturing and processing credits). The following table reconciles income taxes calculated at a combined Canadian federal/provincial tax rate with the income tax provision in the consolidated financial statements:

	1999	1998
Earnings before income taxes	**$ 64,065**	$ 61,356
Income taxes at Canadian statutory rates (1999 – 42.5%; 1998 – 42.1%)	**27,227**	25,831
Increased (decreased) by the tax effect of:		
Non-deductible amortization of intangible assets	**11,523**	1,604
Large corporations tax	**4,900**	1,325
Manufacturing and processing credits	**(6,680)**	(4,885)
Non-taxable amortization of deferred gain	**(2,591)**	(2,569)
Tax-paid investment and equity income	**(1,632)**	(662)
Non-deductible and other items	**3,353**	1,613
Total income tax provision on earnings from continuing operations	**$ 36,100**	$ 22,257
Comprised of:		
Current portion	**$ 898**	$ 18,182
Deferred portion	**$ 35,202**	$ 4,075

The Corporation has significant tax loss carry-forwards arising from the discontinued Diversey businesses. Certain of these losses expire commencing in the year 2008. The potential benefit of these tax losses has not been recognized in the accounts of the Corporation. The future benefit, if realized, will be recognized as income from discontinued operations.

9. *Earnings Per Share*

Earnings per share are calculated based on the weighted average number of shares outstanding during the year (1999 – 59,014,149 shares; 1998 – 58,822,341 shares).

10. *Inventories*

	1999	1998
Finished and in process	**$ 50,309**	$ 25,626
Raw materials and supplies	**34,698**	15,180
Returnable containers	**42,045**	17,447
	$ 127,052	$ 58,253

For the years ended March 31, 1999 and 1998 (Dollars in thousands, except per share amounts)

11. *Investments and Other Assets*

	1999	1998
Investments, at equity (i)(ii)	**$ 84,324**	$ 43,037
Investments, at cost	**13,148**	4,523
Loan to real estate development partnership (iii)	**–**	10,149
Long-term receivables	**20,033**	12,047
Deferred pension assets	**97,788**	60,317
Deferred charges	**23,654**	14,736
Real estate held for sale	**32,866**	30,255
	$ 271,813	$ 175,064

(i) Includes the Corporation's interests in Brewers Retail Inc. and Molson USA, LLC (Molson USA).

(ii) Included in "Sales and other revenues" are equity earnings of $13,138 (1998 – $4,321).

(iii) Land and letters of credit were provided as security for this loan which was written down to estimated net realizable value in fiscal 1996 and which was disposed of in fiscal 1999.

12. *Property, Plant and Equipment*

	1999			1998		
	Cost	**Accumulated Amortization**	**Net**	Cost	Accumulated Amortization	Net
Land (i)	**$ 114,390**	**$ –**	**$ 114,390**	$ 85,167	$ –	$ 85,167
Buildings	**576,525**	**114,290**	**462,235**	418,846	103,835	315,011
Equipment (ii)	**798,913**	**197,367**	**601,546**	464,162	159,306	304,856
Assets under construction	**33,876**	**–**	**33,876**	16,937	–	16,937
	$ 1,523,704	**$ 311,657**	**$ 1,212,047**	$ 985,112	$ 263,141	$ 721,971

(i) Includes land under capital lease of $50,000 (1998 – $50,000).

(ii) Includes equipment under capital lease with a cost of $6,773 (1998 – $4,873) and accumulated amortization of $2,571 (1998 – $2,493).

13. *Intangible Assets*

	1999	1998
Goodwill *(note 3)*	**$ 208,929**	$ 119,581
Brand names (i) *(note 3)*	**1,092,017**	135,110
Hockey franchises (ii)	**9,502**	9,900
	$ 1,310,448	$ 264,591

(i) The cost and accumulated amortization of brand names at March 31, 1999 amounted to $1,128,201 (1998 – $148,176) and $36,184 (1998 – $13,066), respectively.

(ii) The cost and accumulated amortization of hockey franchises at March 31, 1999 amounted to $12,000 (1998 – $12,000) and $2,498 (1998 – $2,100), respectively.

For the years ended March 31, 1999 and 1998 (Dollars in thousands, except per share amounts)

14. *Long-Term Debt*

	1999	1998
Term loan (i)	$ 280,000	$ –
Term loan (Molson Centre) (ii)	–	116,899
Term loan (Molson Breweries) (iii)	202,157	48,739
Debentures (Molson Breweries) (iv)		
$150,000 – 8.20% due March 11, 2003	149,881	74,926
$100,000 – 9.10% due March 11, 2013	99,875	49,933
$150,000 – 8.40% due December 7, 2018	149,799	74,895
$200,000 – 6.00% due June 2, 2008	199,270	99,593
$100,000 – 6.70% due June 2, 2028	99,457	49,719
Fair value adjustment at June 23, 1998 (v)	44,037	–
Land lease obligations (vi)	50,000	50,000
Other	210	393
	1,274,686	565,097
Less: Current portion	3,210	3,978
	$ 1,271,476	$ 561,119

(i) Represents borrowings made by the Corporation under a $550,000 revolving credit facility arranged with a syndicate of banks. This facility replaced the Corporation's existing $250,000 revolving term facility, which was undrawn. The facility comprised a $360,000 tranche to partly finance the acquisition of 50% of Molson Breweries, and a $190,000 revolving operating facility (see note 22). The average interest rate on this facility for the period ended March 31, 1999 was 5.2%.

(ii) Represents borrowings made by the Corporation under a $150,000 floating rate facility arranged with a syndicate of banks for the construction and development of the Molson Centre in Montreal. On December 31, 1997 the loan was converted to a five-year term revolving facility. On May 26, 1998, this facility was repaid. The average interest rate on this facility for the period ended March 31, 1999 was 4.8% (1998 – 4.6%).

(iii) Represents borrowings (50% at March 31, 1998) made by Molson Breweries under a $400,000 term credit facility agreement dated August 31, 1994 and as amended effective August 31, 1996 to a five-year revolving floating rate arrangement, which is unsecured and without recourse to the partners. The facility was reduced to $300,000 effective June 23, 1998. During the year, the facility was extended for an additional year and the principal amount is fully repayable on August 31, 2003. At the option of Molson Breweries, and subject to the approval of the lenders, the facility can be extended for an additional year by means of a one-year extension period. Loans under this facility bore interest at rates averaging 5.7% during fiscal 1999 (1998 – 4.8%).

(iv) Represents debentures issued by Molson Breweries (50% at March 31, 1998). The debentures are redeemable at the option of Molson Breweries at a price equal to the greater of the Canada Yield Price and 100% of the principal amount of the debentures to be redeemed, together in each case with accrued and unpaid interest up to but excluding the date fixed for redemption. Debenture-holders have no recourse against assets of the Corporation other than assets distributed by Molson Breweries to the Corporation in violation of certain covenants in the trust indenture, or assets distributed in certain instances when Molson Breweries is insolvent and which, in each case, are not returned to Molson Breweries.

(v) Represents the adjustment required to arrive at the fair market value of the debentures in (iv) above as of June 23, 1998 being the date of the acquisition of the additional 50% interest in Molson Breweries. This amount is being amortized over the remaining terms of the debentures on a weighted average basis which, at the acquisition date, was approximately 15 years.

(vi) Relates to a 99-year lease arrangement for the land on which the Molson Centre has been constructed. The lease payments are based on prevailing interest rates and changes in the Consumer Price Index. The lease payments during the next five years using the prime interest rate at March 31, 1999 are estimated to be $3,100, $3,100, $3,100, $3,100 and $1,800. The Corporation has an option to acquire the property for $50,000 at any time commencing after October 2003.

(vii) The aggregate maturities of long-term debt during the next five years are $3,306, $3,096, $3,096, $152,977 and $205,253.

15. *Deferred Gain*

The deferred gain arose from the non-cash consideration received on the exchange of brewing assets at the time of the formation of the Molson Breweries partnership in fiscal 1990. Amortization of the balance of the deferred gain totalling $63,030 (1998 – $69,126) will be brought into earnings in equal instalments over the next 10 years or earlier if the non-cash assets are realized.

16. *Financial Instruments*

The Corporation uses hedging and derivative financial instruments to limit financial risk related to foreign exchange and interest rates. During fiscal 1999 and fiscal 1998, all derivative financial instruments were held for hedging purposes.

The Corporation has entered into certain foreign exchange contracts with maturities of less than 12 months. Gains and losses arising from the use of these instruments are recorded as part of the related transaction. As at March 31, 1999, the Corporation had outstanding options where it may be required to acquire up to US$13,000 (1998 – $11,000) at an exchange rate of $1.53 Cdn (1998 – $1.40 Cdn). At March 31, 1999, the unrealized loss from these contracts was $303 (1998 – $14).

The Corporation has also entered into forward foreign exchange contracts with maturities of less than 12 months. Resulting gains and losses arising from the use of these contracts are recorded upon maturity of the transaction. As at March 31, 1999, the Corporation had outstanding contracts for US$38,000. At March 31, 1999 the unrealized loss from these contracts was $293 (1998 – nil).

The Corporation's estimate of the fair value of other financial instruments, including receivables and payables, approximates their carrying value.

The fair value of Molson Breweries debentures (50% at March 31, 1998), based on rates currently available for long-term debt with similar terms and maturity dates, is estimated to be $792,243 (1998 – $391,641).

17. *Capital Stock*

Authorized

The Corporation is authorized to issue:

(a) an unlimited number of Class "A" non-voting shares;

(b) an unlimited number of Class "B" common shares; and

(c) an unlimited number of preference shares, which shall rank in priority to the Class "A" non-voting and Class "B" common shares and may be issued from time to time in series with the designation, rights, privileges, restrictions and conditions attaching to each series as and in the manner set out in its Articles.

The holders of Class "A" non-voting shares are entitled, voting separately as a class on the basis of one vote per share, to elect annually three members of the Board of Directors of the Corporation. Subject to applicable law, the holders of the Class "A" non-voting shares do not otherwise have a right to vote at meetings of shareholders but are entitled to notice of and to attend all shareholders' meetings except class meetings of the holders of another class of shares. The holders of the Class "B" common shares are entitled to one vote per share at all meetings of shareholders except class meetings of the holders of another class of shares.

In each fiscal year, the holders of the Class "A" non-voting shares are entitled to receive non-cumulative dividends aggregating $0.067 per share before any dividends may be paid on the Class "B" common shares. No further dividends can be paid to the holders of the Class "A" non-voting shares until dividends aggregating $0.067 per share have been declared or paid on the Class "B" common shares, and thereafter the Class "A" non-voting shares and the Class "B" common shares participate equally as to all dividends declared.

In the event of the liquidation, dissolution or winding-up of the Corporation, the holders of the Class "A" non-voting shares and the holders of the Class "B" common shares would be entitled to share equally, share for share, in all distributions of the assets of the Corporation.

For the years ended March 31, 1999 and 1998 (Dollars in thousands, except per share amounts

A holder of Class "B" common shares shall be entitled at any time and from time to time to have all or any portion of such Class "B" common shares converted into Class "A" non-voting shares on the basis of one Class "A" non-voting share for each Class "B" common share in respect of which the conversion right is exercised.

If a general takeover bid offer is made to purchase Class "B" common shares, then the holders of Class "A" non-voting shares may convert all or any of their Class "A" non-voting shares into an equal number of Class "B" common shares for the purpose of tendering such shares into the offer unless (i) a takeover bid offer is made to purchase Class "A" non-voting shares on identical terms as the offer for the Class "B" common shares; or (ii) holders of more than 50% of the then outstanding Class "B" common shares certify within a prescribed period of time that they do not intend to tender any Class "B" common shares in acceptance of the offer.

Issued and Outstanding

At March 31, the following shares were issued and outstanding:

	1999		1998	
	Shares	**Amount**	Shares	Amount
Class "A" non-voting	**46,942,958**	**$ 458,349**	46,423,391	$ 456,031
Class "B" common	**12,093,767**	**5,947**	12,518,467	6,156
	59,036,725	**$ 464,296**	58,941,858	$ 462,187

During the year the following shares were issued:

	1999		1998	
	Shares	**Amount**	Shares	Amount
Class "A" non-voting				
Stock options exercised (i)	**16,487**	**$ 38**	242,392	$ 464
Stock dividend payments	**75,167**	**1,996**	88,749	2,277
Issued for cash	**3,213**	**75**	3,726	93
	94,867	**$ 2,109**	334,867	$ 2,834

(i) Including the exercise of options under the stock appreciation rights plan.

During the year ended March 31, 1999, 424,700 Class "B" common shares (1998 – 329,300) were converted into Class "A" non-voting shares.

Stock Options

At March 31, 1999, options covering 2,868,163 Class "A" non-voting shares (1998 – 1,820,938) were outstanding. These options expire in calendar years 2000 to 2009 and are exercisable at prices ranging from $20.38 to $33.50 per share.

All the options carry stock appreciation rights whereby the optionee is entitled to receive Class "A" non-voting shares having an aggregate market value equal to the excess of the market value of Class "A" non-voting shares on the date of exercise over the price of the option, in lieu of exercising the option to acquire the Class "A" non-voting shares.

At March 31, 1999, 2,173,196 Class "A" non-voting shares (1998 – 3,236,908) were available for the granting of further options and 213,695 Class "A" non-voting shares (1998 – 292,075) were available for optional stock dividends.

For the years ended March 31, 1999 and 1998 (Dollars in thousands, except per share amounts)

18. *Commitments and Contingencies*

The following table represents minimum lease payments for operating lease obligations.

Fiscal Year	Minimum Lease Payments
2000	$ 23,609
2001	18,907
2002	12,228
2003	8,140
2004	5,768
Thereafter	18,649
Total	$ 87,301

At March 31, 1999, the Corporation had outstanding letters of credit totalling $33,627 (1998 – $35,798).

The Corporation is subject to certain legal claims arising in the normal course of business, none of which is expected to affect materially the financial results of the Corporation.

19. *Pension Plans*

As of March 31, 1999, the aggregate actuarial present value of accrued pension benefits was $619,863 (1998 – $324,837) and the aggregate market-related value of pension plan assets was $634,890 (1998 – $354,493). The net pension expense for the year ended March 31, 1999 amounted to $14,979 (1998 – $10,493).

20. *Related Party Transactions*

In the ordinary course of business, Molson Breweries enters into transactions with the Corporation and its affiliates. All related party transactions are recorded at their exchange amounts. Effective December 1, 1997, Molson Breweries sells products to the United States through Molson USA, a sales, marketing and distribution business controlled by Miller in which the Corporation has a 24.95% interest. Prior to December 1, 1997, the U.S. distribution business for Molson Breweries' products was wholly owned by Miller. Effective January 1, 1998, Molson Breweries entered into license and manufacturing, distribution and sales agreements with Coors Canada, a partnership between Coors Brewing Company, the Corporation and FBG until June 23, 1998, and between Coors Canada and the Corporation thereafter. Molson Breweries also incurs distribution costs from equity accounted provincial distribution companies.

Sales to Molson USA in the United States (and to Miller in fiscal 1998) represented approximately 21% of Molson Breweries' sales volume in fiscal 1999 (1998 – 22%). Included in cost of sales, selling and administrative costs in the consolidated statements of earnings, are distribution and other costs of $186,194 (1998 – $77,810) charged by equity accounted provincial distribution companies and Coors Canada.

Included in accounts receivable as at March 31, 1999 was $21,375 (1998 – $8,696) due from Molson USA, LLC and $988 (1998 – $772) due from Coors Canada. Included in accounts payable and accruals as at March 31, 1999 was $1,021 (1998 – nil), $4,026 (1998 – $3,856), and $3,593 (1998 – $5,083) payable to Molson USA, Coors Canada and the equity accounted provincial distribution companies, respectively.

21. *Year 2000 Issue*

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

22. *Subsequent Event*

On May 3, 1999, the Corporation issued two series of debentures totalling $300,000. The Series A Debentures for $150,000 bear annual interest of 5.40% and are due on May 3, 2002, while the Series B Debentures for $150,000 bear annual interest of 5.50% and are due on May 3, 2004.

The proceeds from the offering were used to repay the outstanding amount of $280,000 and cancel the $550,000 revolving credit facility (see note 14(i)), and for general corporate purposes.

23. *Segment Disclosures*

In fiscal 1999, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants concerning segment disclosures. The fiscal 1998 figures have been restated to conform with this new presentation.

The Corporation operates in two reportable segments: Brewing and Sports and Entertainment. Both reportable segments are strategic business units which offer different products and services. Each business unit has an independent management group.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Operating profit is before interest and income taxes. The Corporation does not allocate net interest expense or income taxes to individual segments.

The Brewing segment's principal business is producing and marketing beer and other malt-based beverages. As of March 31, 1999, the Brewing segment consisted of the Corporation's 100% interest in Molson Breweries, a 49.9% interest in the Coors Canada partnership, which manages Coors brands in Canada, and a 24.95% interest in Molson USA, LLC.

Molson Breweries is a significant manufacturer and marketer of a wide range of brands of beer from seven breweries in six provinces within Canada. Molson Breweries produces many brands which are exported to Molson USA, LLC and distributed and marketed by them in the United States, including Molson Ice, the leading imported ice beer.

Sports and Entertainment consists of the Montreal Canadiens hockey club which participates in the National Hockey League, and the Molson Centre, a multi-purpose sports and entertainment venue in Montreal. The Molson Centre is the home arena of the Montreal Canadiens.

Segment Disclosures

Brewing *($ millions)*	**1999**	1998
Sales and other revenues (i)	**1,959.0**	936.1
Earnings before interest, income taxes and amortization	**213.5**	126.6
Amortization of property, plant and equipment	**(45.5)**	(20.2)
Amortization of intangible assets	**(28.1)**	(4.0)
Operating profit	**139.9**	102.4
Capital employed (ii)	**2,284.6**	706.5
Capital expenditures		
Property, plant and equipment	**58.5**	31.4
Brand names	**980.0**	75.7
Goodwill	**94.4**	119.3

Sports and Entertainment *($ millions)*		
Sales and other revenues (iii)	**157.3**	134.1
Earnings before interest, income taxes and amortization	**13.6**	11.5
Amortization of property, plant and equipment	**(8.3)**	(8.1)
Amortization of intangible assets	**(0.5)**	(0.5)
Operating profit	**4.8**	2.9
Capital employed	**320.7**	309.8
Capital expenditures		
Property, plant and equipment	**2.1**	9.8

Consolidated *($ millions)*		
Sales and other revenues	**2,120.1**	1,071.8
Earnings before interest, income taxes and amortization from business segments	**227.1**	138.1
Corporate expenses (iv)	**(17.5)**	(29.8)
Consolidated earnings before interest, income taxes and amortization	**209.6**	108.3
Amortization of property, plant and equipment	**(54.3)**	(28.9)
Amortization of intangible assets	**(28.5)**	(4.5)
Operating profit	**126.8**	74.9
Capital employed of business segments	**2,605.3**	1,016.3
Add back liabilities which have been deducted in determining capital employed	**444.4**	269.1
Segment total assets	**3,049.7**	1,285.4
Corporate assets	**136.7**	509.2
Discontinued assets	**253.2**	489.7
Total assets per financial statements	**3,439.6**	2,284.3
Capital expenditures		
Property, plant and equipment	**60.8**	41.7
Brand names	**980.0**	75.7
Goodwill	**94.4**	119.3

(i) Includes equity earnings of $9.3 (1998 – $2.7).
(ii) Includes equity investments of $83.6 (1998 – $38.2).
(iii) Includes sales to other operating segment of $3.3 (1998 – $3.7).
(iv) Includes the net cost of operating the Corporate office and maintaining a public company.

Eight Year Operating and Financial Record

	1999	1998	1997	1996	1995	1994	1993	1992
Operations *($ millions)*								
Sales and other revenues	**2,120.1**	1,071.8	997.4	953.9	908.0	938.5	1,225.5	1,239.4
Brewing excise and sales taxes	**536.0**	259.8	244.5	253.2	257.6	261.9	361.8	339.5
	1,584.1	812.0	752.9	700.7	650.4	676.6	863.7	899.9
EBITDA (i)	**209.6**	108.2	45.7	39.6	118.0	142.9	330.9	183.9
Amortization:								
property, plant and equipment	**54.3**	28.8	26.4	19.9	19.6	17.9	21.0	19.1
intangible assets	**28.5**	4.5	2.8	2.6	2.4	2.7	2.7	2.7
Net interest expense	**62.7**	13.5	19.4	24.5	31.3	35.7	38.3	45.6
Earnings (loss)								
before income taxes	**64.1**	61.4	(2.9)	(7.4)	64.7	86.6	268.9	116.5
Income taxes	**36.1**	22.3	0.5	18.8	14.7	24.7	42.8	33.3
Earnings (loss) from:								
continuing operations	**28.0**	39.1	(3.4)	(26.2)	50.0	61.9	226.1	83.2
discontinued operations	**141.9**	72.0	36.9	(279.3)	36.8	63.8	(61.4)	43.0
Net earnings (loss)	**169.9**	111.1	33.5	(305.5)	86.8	125.7	164.7	126.2
Cash provided from operations (ii)	**193.7**	84.1	99.4	65.4	53.4	188.2	190.1	229.1
Financial *($ millions)*								
Working capital	**(120.2)**	312.6	520.7	30.8	113.0	283.0	229.3	205.1
Current ratio	**0.8:1**	1.7:1	1.9:1	1.0:1	1.1:1	1.4:1	1.3:1	1.3:1
Additions to property,								
plant and equipment	**60.8**	41.7	49.6	186.8	87.7	93.2	29.4	36.5
Total assets	**3,439.6**	2,284.3	2,172.3	2,990.1	3,071.9	2,769.7	2,715.6	2,368.1
Long-term debt	**1,271.5**	561.1	486.0	898.7	530.2	490.0	411.9	483.6
Shareholders' equity	**1,108.1**	978.5	907.0	905.2	1,373.6	1,308.5	1,168.3	923.7
Return on shareholders'								
equity (average)	**16.3%**	11.9%	3.6%	(24.7%)	6.4%	10.2%	15.7%	14.6%
Net debt:equity ratio	**53:47**	14:86	n/m (iii)	49:51	34:66	25:75	33:67	38:62
Net interest coverage (iv)	**2.0:1**	5.6:1	0.9:1	0.7:1	3.1:1	3.2:1	7.9:1	3.6:1
Per Share *($)*								
Net earnings (loss)	**2.88**	1.89	0.57	(5.27)	1.49	2.13	2.76	2.25
Earnings (loss) from								
continuing operations	**0.47**	0.67	(0.06)	(0.45)	0.86	1.05	3.78	1.48
Dividends paid	**0.72**	0.72	0.72	0.72	0.72	0.72	0.72	0.72
Shareholders' equity	**18.77**	16.60	15.48	15.59	23.79	22.22	19.68	16.32
Cash provided from operations (ii)	**3.28**	1.43	1.70	1.12	0.92	3.19	3.18	4.08
Other								
Number of shares								
outstanding *(thousands)*	**59,037**	58,942	58,607	58,060	57,732	58,896	59,382	56,588
Number of shareholders	**4,945**	5,042	5,236	5,352	5,682	5,948	6,445	6,598
Number of employees (iv)	**4,100**	4,100	4,500	4,200	4,500	4,600	4,700	5,000

(i) Earnings before interest, income taxes and amortization.
(ii) Fiscal years 1992 through 1994 have not been restated to exclude discontinued operations.
(iii) n/m = not meaningful (cash exceeded total debt by $95.7 million)
(iv) Excludes discontinued operations.

Supplementary Information

Quarterly Consolidated Financial Information

($ millions, except per share amounts)	Fiscal 1999				
	June	September	December	March	Total
Sales and other revenues	$ 356.4	$ 643.9	$ 598.1	$ 521.7	$ 2,120.1
Brewing excise and sales taxes	92.8	170.2	147.4	125.6	536.0
	263.6	473.7	450.7	396.1	1,584.1
Costs and expenses					
Costs of sales, selling and administrative costs	$ 215.9	$ 377.9	$ 380.5	$ 342.2	$ 1,316.5
Provision for rationalization costs and other	–	–	–	58.0	58.0
	215.9	377.9	380.5	400.2	1,374.5
Earnings (loss) before interest, income taxes and amortization	47.7	95.8	70.2	(4.1)	209.6
Amortization of property, plant and equipment	(8.7)	(16.1)	(15.9)	(13.6)	(54.3)
Amortization of intangible assets	(2.5)	(8.5)	(8.6)	(8.9)	(28.5)
Operating profit (loss)	36.5	71.2	45.7	(26.6)	126.8
Net interest expense	(4.5)	(14.1)	(21.7)	(22.4)	(62.7)
Earnings (loss) before income taxes	32.0	57.1	24.0	(49.0)	64.1
Income tax recovery (expense)	(13.1)	(27.2)	(12.6)	16.8	(36.1)
Earnings (loss) from continuing operations	18.9	29.9	11.4	(32.2)	28.0
Earnings (loss) from discontinued operations	140.5	0.9	1.0	(0.5)	141.9
Net earnings (loss)	$ 159.4	$ 30.8	$ 12.4	$ (32.7)	$ 169.9
Earnings (loss) per share:					
Continuing operations	$ 0.32	$ 0.50	$ 0.19	$ (0.54)	$ 0.47
Discontinued operations	$ 2.38	$ 0.02	$ 0.02	$ (0.01)	$ 2.41
Total per share	$ 2.70	$ 0.52	$ 0.21	$ (0.55)	$ 2.88
Outstanding shares *(millions)*	59.0	59.0	59.0	59.0	59.0
Dividends paid	$ 0.18	$ 0.18	$ 0.18	$ 0.18	$ 0.72
Cash flow from continuing operations	$ 39.6	$ 79.5	$ 47.0	$ 27.6	$ 193.7
Cash flow from continuing operations per share	$ 0.67	$ 1.35	$ 0.80	$ 0.46	$ 3.28
Share price					
Montreal Exchange					
– High	$ 28.00	$ 27.15	$ 23.80	$ 23.55	
– Low	$ 23.80	$ 20.00	$ 19.80	$ 20.75	
– Close	$ 26.50	$ 21.40	$ 21.95	$ 21.10	
Toronto Stock Exchange					
– High	$ 28.00	$ 27.10	$ 23.75	$ 23.65	
– Low	$ 23.75	$ 19.75	$ 19.80	$ 20.65	
– Close	$ 26.75	$ 21.40	$ 22.00	$ 21.10	
Volume of shares traded *(thousands)*					
Montreal Exchange	1,722	1,418	1,719	1,477	
Toronto Stock Exchange	3,624	4,140	4,055	6,287	

Quarterly Consolidated Financial Information

($ millions, except per share amounts)	Fiscal 1998				
	June	September	December	March	Total
Sales and other revenues	$ 253.9	$ 255.5	$ 282.8	$ 279.6	$ 1,071.8
Brewing excise and sales taxes	65.7	68.6	63.8	61.7	259.8
	188.2	186.9	219.0	217.9	812.0
Costs and expenses					
Costs of sales, selling and administrative costs	$ 159.6	$ 154.2	$ 173.6	$ 207.4	$ 694.8
Provision for rationalization costs and other	–	–	7.8	1.2	9.0
	159.6	154.2	181.4	208.6	703.8
Earnings before interest, income taxes and amortization	28.6	32.7	37.6	9.3	108.2
Amortization of property, plant and equipment	(7.1)	(7.1)	(6.9)	(7.7)	(28.8)
Amortization of intangible assets	(0.7)	(0.7)	(1.1)	(2.0)	(4.5)
Operating profit (loss)	20.8	24.9	29.6	(0.4)	74.9
Net interest expense	(2.8)	(1.9)	(2.8)	(6.0)	(13.5)
Earnings (loss) before income taxes	18.0	23.0	26.8	(6.4)	61.4
Income tax recovery (expense)	(6.5)	(8.3)	(9.7)	2.2	(22.3)
Earnings (loss) from continuing operations	11.5	14.7	17.1	(4.2)	39.1
Earnings from discontinued operations	7.2	7.4	5.5	51.9	72.0
Net earnings	$ 18.7	$ 22.1	$ 22.6	$ 47.7	$ 111.1
Earnings (loss) per share:					
Continuing operations	$ 0.20	$ 0.25	$ 0.29	$ (0.07)	$ 0.67
Discontinued operations	$ 0.12	$ 0.13	$ 0.09	$ 0.88	$ 1.22
Total per share	$ 0.32	$ 0.38	$ 0.38	$ 0.81	$ 1.89
Outstanding shares *(millions)*	58.7	58.8	58.9	58.9	58.8
Dividends paid	$ 0.18	$ 0.18	$ 0.18	$ 0.18	$ 0.72
Cash flow from continuing operations	$ 20.2	$ 24.2	$ 23.8	$ 15.9	$ 84.1
Cash flow from continuing operations per share	$ 0.34	$ 0.41	$ 0.40	$ 0.27	$ 1.43
Share price					
Montreal Exchange					
– High	$ 24.55	$ 26.50	$ 27.50	$ 27.00	
– Low	$ 21.95	$ 22.90	$ 21.60	$ 24.25	
– Close	$ 22.90	$ 25.35	$ 25.55	$ 24.35	
Toronto Stock Exchange					
– High	$ 24.70	$ 26.40	$ 27.50	$ 27.10	
– Low	$ 21.95	$ 22.85	$ 22.00	$ 24.25	
– Close	$ 22.95	$ 25.25	$ 25.55	$ 24.35	
Volume of shares traded *(thousands)*					
Montreal Exchange	1,994	3,519	4,213	2,255	
Toronto Stock Exchange	8,424	6,802	6,708	4,582	

Corporate Governance

Molson's Board of Directors is responsible for overseeing the direction, affairs and management of the Corporation. The Board was extremely active in fiscal 1999, during which there were 11 meetings of the Board and over 30 meetings of the various Board committees. As part of the Corporation's overall restructuring of Molson Breweries and the Corporation, following the acquisition of 100% of Molson Breweries in 1998, the roles, authority and responsibilities of the Board, its Chairman, Board committees and management were extensively reviewed and redefined, as appropriate.

The Corporation believes its corporate governance structure, policies and processes are consistent with and measure well against the guidelines of The Toronto Stock Exchange and the Montreal Exchange.

The Board has put into place specific policies and processes relating to:

- Strategic Planning
- Risk Management
- Management Development, Assessment and Succession Planning; and
- Shareholder Communications

Details of these are set out in the 1999 Management Proxy Circular.

To ensure that the Board operates in a manner that is independent of management:

- The roles of Chairman and Chief Executive Officer are separate
- The Board is comprised of a majority of unrelated directors
- All Board committees are comprised of a majority of unrelated directors

Over half of the Board is comprised of new directors who became Board members in the past three years. In selecting candidates for the Board, well-qualified individuals with some or all of the following criteria are specifically considered: a strong performance orientation, an understanding of consumer brand marketing and international experience.

Directors receive at least 50% of their annual retainer in the form of deferred share units, each of which is equal to one Molson Class "A" non-voting share. These are retained throughout the director's tenure on the Board. Directors also participate in a stock option program. These programs are designed to strengthen the alignment of Molson's directors' compensation with the interests of shareholders.

Molson's corporate governance policies and practices are set out in greater detail in the 1999 Management Proxy Circular, a copy of which may be obtained from the Secretary of the Corporation.

Board of Directors' Committees

The Board of Directors maintains five standing committees, all of which were active during fiscal 1999.

Audit and Finance Committee

The Audit and Finance Committee reviews the Corporation's annual consolidated financial statements and quarterly financial statements before they are approved by the Board. It works jointly with management to develop the annual audit plan and thoroughly reviews the auditors' recommendations on internal controls. The Committee regularly meets with the Corporation's auditors independently from management. It also reviews the Corporation's annual and long-term financial plans, proposals for major borrowings and the issuance of securities and makes recommendations to the Board with respect to financial strategies and policies. The Committee has also been responsible for overseeing the Corporation's programs addressing the Year 2000 situation.

Chairman: Dr. L.I. Barber
Members: M.W. Barrett, Dr. F. Bellini, D.W. Colson, R.I. Molson

Environment, Health and Safety Committee

The Environment, Health and Safety Committee sets environmental and occupational health and safety policy standards and accountabilities for the Corporation. The Committee oversees environment, health and safety issues in relation to three distinct areas: Brewing Operations, the Molson Centre and any retained obligations relating to divestitures. It reviews strategies, goals and programs put into place in these areas and recommendations from outside specialists retained as required to reassess specific risks. The Committee is also briefed on initiatives by operating units of the Corporation, such as simulated incidents, to ensure response readiness. It ensures that satisfactory safety measurement systems are in place and regularly reviews data on the frequency and severity of safety incidents, an area where notable and continuous improvement has occurred.

Chairman: L. Beauregard
Members: Dr. L.I. Barber, J. Béliveau, E.H. Molson, S.T. Molson

Executive Committee

The Executive Committee provides advice and counsel to the CEO. It acts on behalf of the Board, on terms authorized by the Board, in managing or supervising the management of the Corporation's business when the full Board is not in session, including the approval of borrowing, acquiring or disposing of businesses and issuing securities.

Chairman: R.I. Molson
Members: E.J. Arnett, M.W. Barrett, E.H. Molson

Human Resources and Corporate Governance Committee

The Human Resources and Corporate Governance Committee is responsible for the development and maintenance of the Corporation's corporate governance practices, including the structures and composition of the Board and Board committees, defining the relationship, roles and authority of the Board and management, identifying and recommending suitable director candidates, setting directors' compensation and external reporting of the Corporation's approach to corporate governance and executive compensation. In addition, it reviews, develops and recommends to the Board appropriate executive compensation policies, programs and levels. The Committee is currently undertaking an extensive review of the Corporation's executive compensation strategy and programs to ensure that they reflect, in turn, the Corporation's strategy and are aligned with shareholders' interests and corporate performance. The Committee develops performance objectives in conjunction with the CEO and assesses the performance of the CEO annually in relation to these objectives. In addition, the Committee ensures that effective short-term and long-term succession plans are in place for senior officers of the Corporation.

Chairman: M.W. Barrett
Members: D.W. Colson, D.G. Drapkin, E.H. Molson, R.I. Molson

Pension Fund Committee

The Pension Fund Committee formulates general investment policy, monitors the implementation of that policy and reports to the Board at least annually on investment results achieved. It also reviews and comments on the reports of the Corporation's actuary and their implications, and the level of the Corporation's contributions to the pension plans in respect of both current service and unfunded liabilities.

Chairman: Dr. L.I. Barber
Members: J. Béliveau, E.H. Molson, S.T. Molson

E. James Arnett, Q.C.

President and Chief Executive Officer, The Molson Companies Limited, B.A., LL.B. (University of Manitoba), LL.M. (Harvard University). Member: Business Council on National Issues, Law Society of Upper Canada, Manitoba Law Society, Canadian Bar Association, American Society of International Law, American Bar Association, District of Columbia Bar Association.

Dr. L.I. Barber

President Emeritus, University of Regina, B.A., B. Comm. (University of Saskatchewan), M.B.A. (University of California at Berkeley), Ph.D. (University of Washington). Companion of the Order of Canada, Saskatchewan Order of Merit. Director: Bank of Nova Scotia, Cominco, CanWest Global, North West Company Inc. Honorary doctorates: University of Alberta, Concordia University, University of Regina.

Matthew W. Barrett

Chairman, Bank of Montreal. Officer of the Order of Canada. Director: The Seagram Co. Ltd., Associates of The Harvard Business School, Montreal Board of Trade Heritage Foundation, Advisory Council of the Schulich School of Business at York University. Trustee: Finance Committee, Toronto Hospital. Honorary doctorates: St. Mary's University, Bishop's University, York University, Concordia University, University of Waterloo, University of New Brunswick.

Luc Beauregard

Founding Chairman and Chief Executive Officer, NATIONAL Public Relations Inc. Member of the Order of Canada. Director: St-Hubert Group, Council for Canadian Unity. Chairman: *Vie des arts.* Governor: Conseil du patronat du Québec and Conseil patronal de l'environnement du Québec. Philip A. Novikoff Memorial Award, Canadian Public Relations Society.

Jean Béliveau

Former Senior Vice President, Corporate Affairs, Club de Hockey Canadien, Inc. Officer of the Order of Canada. Director: Acier-Leroux, Brookfield Properties Corporation. Honorary doctorates: University of Moncton, University of Ottawa, Acadia University. Member: Hockey Hall of Fame, L'Ordre National du Québec. Loyola Medal, Concordia University.

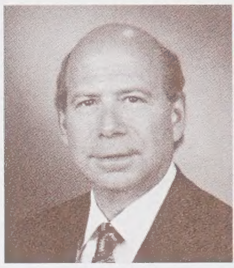
Dr. Francesco Bellini

Chief Executive Officer, BioChem Pharma Inc., Ph.D. (University of New Brunswick). Onorificenza di Grande Ufficiale (Italy). Chairman: BioChem ImmunoSystems Inc., BioChem Vaccines Inc. Vice Chairman: North American Vaccine Inc. Director: BioChem Pharma Inc., Société générale de financement du Québec, Industrielle-Alliance, Italian Chamber of Commerce. Governor: Douglas Hospital, Canadian-Italian Community Foundation, Concordia University, Montreal Technovision Inc.

Daniel W. Colson

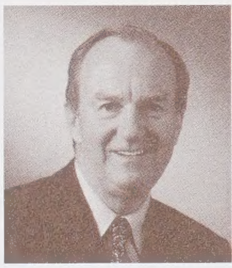
Deputy Chairman and Chief Executive Officer, Telegraph Group Limited, London, England, B.A. (Loyola College), LL.L (Laval University). Chairman: UniMedia Inc. Vice Chairman: Hollinger Inc., Hollinger International Inc., Hollinger Canadian Publishing Holdings Inc., Southam Inc. Director: The Spectator (1828) Limited, Argus Corporation, Interactive Investor International Ltd. Member of the Canadian Bar Association.

Donald G. Drapkin



Vice Chairman, MacAndrews and Forbes Holdings Inc., B.A. (Brandeis University), LL.B. (Columbia University School of Law). Chairman: Genta, Inc., VIMRX Pharmaceuticals Inc., WeddingChannel.com. Director: Algos Pharmaceutical Corporation, American Lawyer Media, Inc., Anthracite Capital, Inc., BlackRock Asset Investors, Cardio Technologics, Inc., Playboy Enterprises, Inc., Revlon Consumer Products Corporation, Revlon, Inc., Weider Nutrition International Inc. Trustee: Brandeis University, Dwight-Englewood School.

Eric H. Molson

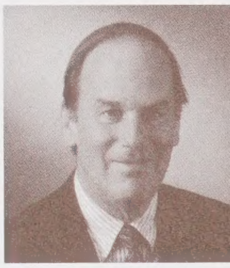


Chairman of the Board, The Molson Companies Limited, A.B. Chemistry (Princeton University). Chancellor of Concordia University. Director: Bank of Montreal, The Montreal General Hospital Foundation and Research Institute, Canadian Irish Studies Foundation, *Vie des arts.*

R. Ian Molson

Private investor, A.B. (Harvard University)

Stephen T. Molson



Secretary and Member of the Board, The Molson Foundation, B.A. (McGill University). Director or Trustee: Atlantic Salmon Federation, Butters Foundation, Fondation Hospitalière Maisonneuve – Rosemont, The Martlett Foundation, Quebec-Labrador Foundation Inc.

Honorary Directors: *R.M. Barford, Toronto; J.T. Black, Victoria; W. Chippindale, Mont Tremblant; J.P. Gordon, Toronto; A.S. Hara, Vancouver; D.S. Harvie, Calgary; T.E. Ladner, Vancouver; A.G. McCaughey, Aurora; Hon. H. de M. Molson, Montreal; F.J. Morgan, Chicago; J.E. Newall, Calgary; Hon. G.F. Osbaldeston, London; Charles Perrault, Montreal; Gérard Plourde, Montreal; J.P. Rogers, Toronto.*

Senior Management

Corporate Office

Eric H. Molson
Chairman of the Board

E. James Arnett
President and Chief Executive Officer

P.G. Crowley
Executive Vice President and Chief Financial Officer

D.J. O'Neill
Executive Vice President and Chief Operating Officer, North American Brewing

J.M. DeYoung
Senior Vice President, Corporate Accounting and Income Taxes

P.L. Kelley
Senior Vice President, International Brewing Strategy

D.A. Love
Senior Vice President, General Counsel and Secretary

North American Brewing

R. Doin
President, Quebec Region

D. Perkins
President, Ontario/Atlantic Region

B.A. Shier
President, Western Region

J.D. Amodeo
Senior Vice President, Financial Operations

J.J. Carefoote
Senior Vice President, Sports and Entertainment

R.B. Kelly
Senior Vice President, Marketing Strategy

E. Liedtke
Senior Vice President, Operations

Club de Hockey and Molson Centre

R.L. Corey
President

Shareholder Information

Registered and Executive Office
1555 Notre-Dame Street East, Montreal, Quebec H2L 2R5
Tel: (514) 597-1786

Stock Exchange Listings
Montreal, Toronto, Vancouver

Classes of Issued Shares
Class "A" non-voting shares
Class "B" common shares

Share Symbols
Class "A": MOL.A
Class "B": MOL.B

Registrar and Transfer Agent
CIBC Mellon Trust Company,
Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver
Answerline™: 1 800 387-0825
E-mail: enquiries@cibcmellon.ca Website: www.cibcmellon.ca

Stock Dividend Plan
Under the Corporation's Optional Stock Dividend and Share Purchase Plan, shareholders may, if and as determined by the Board, elect to receive their dividends in the form of Class "A" non-voting shares instead of cash, and may make cash contributions towards the purchase of additional Class "A" non-voting shares. Shareholders wishing to obtain more information about this Plan should write to the Secretary, 1555 Notre-Dame Street East, Montreal, Quebec H2L 2R5.

Auditors
PricewaterhouseCoopers LLP, Chartered Accountants

Fiscal 2000 Key Dates
Fiscal year-end March 31, 2000. Interim Reports to Shareholders are scheduled for mailing in August and November 1999 and February 2000.

Annual and Special Meeting
The Annual and Special Meeting of Shareholders will be held in the Windsor Ballroom, Le Windsor, 1170 Peel Street, Montreal, Quebec on Tuesday, June 29, 1999 at 11:00 a.m. Eastern Daylight Time.

Shareholder Relations
Shareholders having inquiries or wishing to obtain copies of the Corporation's Annual Information Form filed with Canadian Securities Commissions should write to:

D.A. Love
Senior Vice President, General Counsel and Secretary,
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Design: Bhandari & Co. (Toronto) Principal Photography: Matthew Plexman Imaging: SOS Inc.
The MD&A and financial pages of this report were printed on 50% recycled fibre with 20% post-consumer waste. Printed in Canada.

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